

\$11,070,000

**Idaho Bond Bank Authority
Revenue Bonds, Series 2004A**

DATED: Date of Delivery

DUE: September 1, as shown on the inside cover

MOODY'S RATINGS—"Aa3", underlying; "Aaa", insured (see "Financial Guaranty Insurance" and "Ratings" herein).

NOT BANK QUALIFIED

BOOK ENTRY ONLY—The Idaho Bond Bank Authority Revenue Bonds, Series 2004A (the "Series 2004A Bonds") will be issued as fully registered obligations under a book-entry only system, registered in the name of Cede & Co., as owner and nominee for The Depository Trust Company ("DTC"). DTC will act as initial securities depository for the Series 2004A Bonds. Individual purchases of the Series 2004A Bonds will be made in book-entry form through DTC in denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2004A Bonds purchased.

ISSUERS AND PURPOSE—The Idaho Bond Bank Authority ("Authority") is the issuer of the Series 2004A Bonds through the Idaho Bond Bank Authority Act, Title 67, Chapter 87, Idaho Code, as amended (the "Act") pursuant to a master trust agreement between the Authority and U.S. Bank National Association (the "Trustee"), dated as of December 1, 2004 (the "Master Trust Agreement") and a first supplemental trust agreement between the Authority and the Trustee dated as of December 1, 2004 (the "First Supplemental Trust Agreement" and, collectively with the Master Trust Agreement, the "Trust Agreement"). Proceeds of the Series 2004A Bonds will be used by the Authority to make loans (the "Loans") to certain Idaho cities (collectively, the "Participants") in order to achieve savings in debt service by refunding loans (the "Prior Loans") currently outstanding with the Department of Environmental Quality of the State of Idaho ("DEQ"), as more fully described herein. See "Purpose and Use of Proceeds" herein. The Authority and each Participant will enter into a Loan Agreement dated as of December 1, 2004 to provide for the repayment of the Loans from System Net Revenues, as described herein. The Participants are authorized to enter into future obligations with parity or subordinate liens on their System Net Revenues, as defined herein, including loans with the Authority and with DEQ. In addition, some of the Participants have outstanding obligations with parity or senior liens on their System Net Revenues.

THE SERIES 2004A BONDS AND THE LOANS—*The Series 2004A Bonds are revenue bonds of the Authority. The Loans constitute loans from the Authority to the Participants.*

SECURITY—The Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) moneys intercepted by the Authority from monies due to the Participants from the State pursuant to Section 67-8727, Idaho Code, (iv) State Sales Tax Revenues, defined herein, and (v) all other moneys received by the Authority and designated by the Authority as Revenues (collectively, the "Revenues"). All of the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code, as amended. **THE BONDS ARE NOT A DEBT OF THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AUTHORITY AS PROVIDED UNDER THE TRUST AGREEMENT AND THE ACT. THE BONDS DO NOT CONSTITUTE INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR RESTRICTION.**

Payment of the principal of and interest on the Series 2004A Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2004A Bonds. See the caption "Financial Guaranty Insurance" herein.

Ambac

PRINCIPAL AND INTEREST PAYMENTS—The principal of and premium, if any, and interest on the Series 2004A Bonds will be payable by the Trustee, solely from any amounts available in the funds and accounts established under the Loan Agreement and the Trust Agreement described herein, to DTC which, in turn, will remit such principal and interest to the DTC Participants, defined herein, for subsequent disbursement to the beneficial owners of the Series 2004A Bonds. Interest on the Series 2004A Bonds will be payable on March 1, 2005 and semiannually thereafter on March 1 and September 1 of each year until maturity or redemption.

MATURITY SCHEDULE—SEE INSIDE COVER

REDEMPTION—The Series 2004A Bonds are subject to redemption as further described herein.

TAX MATTERS—*In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of Idaho personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2004A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2004A Bonds. See "Tax Matters."*

DELIVERY—The Series 2004A Bonds are offered for sale to the Underwriter subject to receiving the final approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Certain legal matters with respect to the Loan Agreements will be passed on for the Participants by Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, special counsel to the Authority. Certain legal matters will be passed on for the Underwriter by its counsel, Skinner Fawcett, Boise, Idaho. It is expected that the Series 2004A Bonds will be available for delivery to the Trustee for Fast Automated Securities Transfer on behalf of DTC on or about December 1, 2004.

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.



**SEATTLE-NORTHWEST
SECURITIES CORPORATION**

\$11,070,000

**Idaho Bond Bank Authority
Revenue Bonds, Series 2004A**

DATED: Date of Delivery

DUE: September 1, as shown below

MATURITY SCHEDULE —

Due 1-Sep	Amounts	Interest Rates	Yield	CUSIP No. 451152	Due 1-Sep	Amounts	Interest Rates	Yield	CUSIP No. 451152
2005	\$ 710,000	2.500%	1.94%	AA0	2014	\$ 850,000	5.000%	3.70%	AK8
2006	735,000	3.000%	2.14%	AB8	2015 ⁽¹⁾	725,000	5.000%	3.80%	AL6
2007	750,000	3.000%	2.29%	AC6	2016 ⁽¹⁾	315,000	5.000%	3.89%	AM4
2008	785,000	3.000%	2.52%	AD4	2017	330,000	3.800%	3.98%	AN2
2009	800,000	5.000%	2.84%	AE2	2018	345,000	4.000%	4.06%	AP7
2010	845,000	5.000%	3.14%	AF9	2019	320,000	4.000%	4.14%	AQ5
2011	885,000	5.000%	3.29%	AG7	2020	335,000	4.100%	4.22%	AR3
2012	930,000	5.000%	3.46%	AH5	2021	300,000	4.200%	4.30%	AS1
2013	975,000	5.000%	3.59%	AJ1	2022	135,000	4.300%	4.37%	AT9

(1) Priced to the call date.

This Official Statement does not constitute an offer to sell the Series 2004A Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the Authority, the Participants or the Underwriter to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2004A Bonds and, if given or made, such information or representations must not be relied upon. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the Participants or the Authority since the date hereof. This Official Statement is not to be construed as a contract with the Purchasers of the Series 2004A Bonds.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2004A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Idaho Bond Bank Authority
Office of the Idaho State Treasurer
Room 102 Statehouse
Boise, Idaho
(208) 332-2997

Board Members

John Sandy	Chairman
Bart Davis	Member
Lee Gagner	Member
Bill Deal, Sr.	Member
Ken Harward	Member

Administrator

Liza Carberry	Executive Director
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Participants

1. City of Blackfoot, Bingham County
2. City of Coeur d'Alene, Kootenai County
3. City of Driggs, Teton County
4. City of Gooding, Gooding County
5. City of McCall, Valley County
6. City of Parma, Washington County
7. City of Pocatello, Bannock County

Bond Counsel

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(415) 773-5700

Special Counsel to the Authority

Moore Smith Buxton & Turcke, Chartered
Boise, Idaho
(208) 331-1800

Trustee

U.S. Bank National Association
Boise, Idaho
(208) 383-7177

Financial Advisor

Western Financial Group, LLP
Lake Oswego, Oregon
(503) 636-0265

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OFFICIAL STATEMENT

\$11,070,000

Idaho Bond Bank Authority Revenue Bonds, Series 2004A

Definitions

Unless the context otherwise requires, the terms used in this Official Statement shall have the meanings specified in Appendix A, attached hereto.

The Idaho Bond Bank Authority

The Idaho Bond Bank Authority, an independent public body corporate and politic created by the Idaho State Legislature in 2001, is an instrumentality of the State of Idaho within the State Treasurer's Office. An authorizing amendment to the Idaho Constitution was adopted in 2000, enabling legislation that was passed in the 2001 Legislative Session. Title 67, Chapter 87, of the Idaho Code authorizes and empowers the Authority to issue bonds for the purpose of purchasing municipal bonds, including loans undertaken by municipalities for any purpose authorized by law.

The Authority is administered by a board consisting of the Idaho State Treasurer or his designee, one member of the Senate, one member of the House of Representatives, and two members appointed by the governor (the "Board"). Current Board members and their terms are as follows:

Idaho Bond Bank Board Members

Member	Occupation	Term of Office	Expiration of Term
John Sandy, Chair	Consultant	Indefinite	--
Bart Davis	State Senator	Two years	11/30/04
Bill Deal, Sr.	State Representative	Four years	07/01/08
Lee Gagner	Home Builder	Two years	11/30/04
Ken Harward	Association of Idaho Cities	Four years	07/01/08

Introduction

The Authority is furnishing this Official Statement to provide information in connection with the issuance of \$11,070,000 aggregate principal amount of Idaho Bond Bank Authority Revenue Bonds, Series 2004A issued pursuant to a master trust agreement dated as of December 1, 2004 (the "Master Trust Agreement") between the Authority and U.S. Bank National Association as trustee and a first supplemental trust agreement dated as of December 1, 2004 between the Authority and the Trustee (the "First Supplemental Trust Agreement" and, collectively with the Master Trust Agreement, the "Trust Agreement").

This Official Statement, which includes the cover page, inside cover and appendices, provides information concerning each of the Idaho cities shown on the inside cover page of this Official Statement (the "Participants"), the Loans and the Series 2004A Bonds. Certain capitalized words and phrases used in this Official Statement have the meanings as defined in the Loan Agreements or Trust Agreement, described herein and summarized as Appendix E hereto.

Authority for Issuance and Use of Proceeds of the Series 2004A Bonds

The Series 2004A Bonds are being issued by the Authority pursuant to the Act. The proceeds of the Series 2004A Bonds are to be applied by the Authority to acquire sewer revenue loans (collectively, the "Loans") made by the Authority pursuant to the Act to each of the Participants.

Authorizing Resolutions were approved by the governing body of each of the Participants (the "Resolutions"). The Resolutions authorized each of the Participants to execute a loan agreement with the Authority dated as of December 1, 2004 (each, a "Loan Agreement" and collectively, the "Loan Agreements"). Each Loan Agreement is payable from System Net Revenues, as hereinafter described. The Participants will use the proceeds of the Loans and other legally available funds to repay in full the outstanding loans (the "Prior Loans") with the Department of Environmental Quality of the State of Idaho to achieve a debt service savings.

The Prior Loans between DEQ and the Participants were provided for under the Water Pollution Abatement Act, Idaho Code, Title 39, Chapter 36 (the "Wastewater Law") to finance certain sewer utility system (the "System") improvements.

The Participants are authorized to execute future obligations with parity or subordinate liens on their System Net Revenues, including loans with the Authority and with DEQ. In addition, some of the Participants have outstanding obligations with parity or senior liens on the revenues generated from ownership and operation of their System after the deduction of certain operation and maintenance expenses (the "System Net Revenues"). See "Security for the Series 2004A Bonds -- Additional Obligations of Participants" herein.

Security and Sources of Payment of the Series 2004A Bonds

The Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) moneys intercepted by the Authority from monies due to the Participants from the State pursuant to Section 67-8727, Idaho Code, (iv) State Sales Tax Revenues, and (v) all other moneys received by the Authority and designated by the Authority as Revenues (collectively, the "Revenues"). All of the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided under the Trust Agreement. This pledge constitutes a pledge of and charge and lien upon the Revenues on a parity with Funded Debt, if any, as defined herein, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code, as amended. See "Security for the Series 2004A Bonds" herein.

The Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided under the Trust Agreement and the Act. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Description of the Series 2004A Bonds

Principal Amounts, Date, Interest Rates and Maturities

The Series 2004A Bonds will be issued in the aggregate principal amount of \$11,070,000, will be dated and bear interest from their date of delivery to the Underwriter, and will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Series 2004A Bonds will be payable on March 1, 2005 and semiannually thereafter on March 1 and September 1 of each year until maturity or redemption (each March 1 and September 1 is referred to herein as the "Interest Payment Date"). Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Idaho Bond Bank Authority Revenue Bonds, Series 2004A Projected Debt Service Schedule

Fiscal Year Ending June 30	Principal	Interest	Debt Service
2005	\$ 0	\$ 118,345	\$ 118,345
2006	710,000	464,505	1,174,505
2007	735,000	444,605	1,179,605
2008	750,000	422,330	1,172,330
2009	785,000	399,305	1,184,305
2010	800,000	367,530	1,167,530
2011	845,000	326,405	1,171,405
2012	885,000	283,155	1,168,155
2013	930,000	237,780	1,167,780
2014	975,000	190,155	1,165,155
2015	850,000	144,530	994,530
2016	725,000	105,155	830,155
2017	315,000	79,155	394,155
2018	330,000	65,010	395,010
2019	345,000	51,840	396,840
2020	320,000	38,540	358,540
2021	335,000	25,273	360,273
2022	300,000	12,105	312,105
	<u>135,000</u>	<u>2,903</u>	<u>137,903</u>
	\$ 11,070,000	\$ 3,778,625	\$ 14,848,625

NOTE: Columns may not foot due to rounding. Debt service schedules for each of the Participant's Loans are attached as part of Appendices F through L to this Official Statement.

Sources and Uses of Funds

The proceeds of the Series 2004A Bonds are to be applied by or on behalf of the Authority to loan to the Participants in the amount identified in each of the Participants' Loan Agreements. The proceeds of the Series 2004A Bonds are expected to be applied as follows:

Sources and Uses of Funds

Sources of Funds	Total
Principal Amount	\$ 11,070,000
Parma Cash Contribution	11,476
Net Original Issue Premium	<u>655,082</u>
Total Sources of Funds	<u>\$ 11,736,558</u>
Uses of Funds	
Transfer for payment of Prior Loans to DEQ	\$ 11,508,600
Underwriter's Discount, Costs of Issuance, Insurance Premium, State Expenses and Contingency	<u>227,959</u>
Total Use of Funds	<u>\$ 11,736,558</u>

The Trustee

The Authority has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States, to serve as Trustee for the Series 2004A Bonds. The Trustee is to carry out those duties assignable to and accepted by it under the Trust Agreement. Except for the contents of this section and the description of the Trustee's responsibilities under the Trust Agreement, the Trustee has not reviewed or participated in the preparation of this Official Statement and does not assume any responsibility for the nature, completeness, contents or accuracy of the Official Statement.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the Authority of any of the Series 2004A Bonds authenticated or delivered pursuant to the Trust Agreement or for the use or application of the proceeds of such Series 2004A Bonds by the Authority. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Series 2004A Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets pledged or assigned as security for the Series 2004A Bonds, the technical or financial feasibility of the Projects, or the investment quality of the Series 2004A Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

Additional information about the Trustee and its services may be found at U.S. Bank's website at <http://www.usbank.com/corporatetrust>.

The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

Book-Entry Registration

The Series 2004A Bonds are issuable as fully registered obligations and, when issued, will be registered in the name of Cede & Co. as Owner and as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Series 2004A Bonds. Individual purchases and sales of the Series 2004A Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity and integral multiples thereof. Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Series 2004A Bonds.

The ownership of one fully registered certificate for each maturity of the Series 2004A Bonds, as set forth on the inside cover page of this Official Statement, each in the aggregate principal amount of the Series 2004A Bonds of such maturity, will be registered in the name of Cede & Co., as nominee for DTC.

The principal of and premium, if any, and interest on the Series 2004A Bonds will be payable by the Trustee to DTC, which, in turn, will be obligated to remit such principal, premium and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2004A Bonds, as further described in Appendix C attached hereto.

Notwithstanding any other provision to the contrary, so long as all Series 2004A Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such Series 2004A Bond and all notices with respect to each such Series 2004A Bond shall be made and given, respectively, to DTC as provided in or pursuant to the Representation Letter.

Procedure in the Event of Discontinuation of Book-Entry Transfer System

In the event that the Authority determines that the Series 2004A Bonds should not be maintained in book-entry form, the Trustee shall, upon the written instruction of the Authority, notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the Series 2004A Bonds will be transferable upon receipt by the Trustee from the registered owner thereof of the Series 2004A Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee. If at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor securities depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, then the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Series 2004A Bonds. If the Series 2004A Bonds cease to be in book-entry only form, the Trustee is required to mail by first class mail, postage prepaid, each interest payment on the Interest Payment Date (or the next Business Day if the Interest Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Series 2004A Bond register as of the Record Date. Principal of each Series 2004A Bond shall be paid only on or after the stated maturity date thereof or date fixed for earlier prepayment thereof, and then only upon presentation and surrender of such Series 2004A Bond to the Trustee at its principal corporate trust operations office in St. Paul, Minnesota.

Any Series 2004A Bond may, in accordance with its terms, be transferred by the person in whose name it is registered in the books required to be kept by the Trustee upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any Series 2004A Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Series 2004A Bond and maturity for a like aggregate principal amount of in \$5,000 denominations or integral multiples thereof. The Trustee shall require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

Redemption Provisions

Optional Redemption. The Series 2004A Bonds maturing on or prior to September 1, 2014, are not subject to optional redemption. The Series 2004A Bonds maturing on and after September 1, 2015, are subject to optional redemption prior to maturity at the written direction of the Authority, from any moneys deposited by the Authority, as a whole or in part on any date on or after September 1, 2014, and among such maturities as are designated by the Authority to the Trustee, at the price of par, plus accrued interest, if any, to the date of redemption.

As provided in the Loan Agreements, Participants may prepay their Repayment Installments. The principal component of the Repayment Installments to be prepaid by a Participant is required to correspond in amount and maturity date to the Series 2004A Bonds related to such Participant's Loan Agreement.

Notice of Redemption (No Book-Entry). Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Bond Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Each notice of redemption shall state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

Continuing Disclosure

Securities and Exchange Commission Rule 15c2-12 (the “Rule”) requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Bonds and the Loans, if material. Pursuant to the Rule, the Authority and the Participants have agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository or DisclosureUSA, and to the appropriate state information depository, if any, audited financial information of the Participants and certain financial information or operating data. In addition, the Authority and the Participants have agreed to provide, or cause to be provided, to the NRMSIRs or to the Municipal Securities Rulemaking Board and to the state information repository, if any, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

The form of the Continuing Disclosure Agreement between the Authority and the Trustee as dissemination agent is included in Appendix D, attached hereto. The form of the continuing disclosure agreement for the Participants is included as Section 5.9 of the Loan Agreement. A summary of the Loan Agreements is attached to this Official Statement as Appendix E.

A failure by the Authority or a Participant to comply with a continuing disclosure undertaking as set forth in their continuing disclosure agreements will not constitute an event of default under the Trust Agreement or a Loan Agreement and owners of the Series 2004A Bonds are limited to the remedies described in the related undertakings referenced above. A failure by the Authority or a Participant to comply with a continuing disclosure undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2004A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2004A Bonds and their market price.

Security for the Series 2004A Bonds

General

The Bonds are limited obligations of the Authority and the interest thereon, principal thereof and premiums, if any, are payable solely from (i) all amounts payable to the Authority pursuant to the Loan Agreements, (ii) all investment earnings on amounts held by the Trustee pursuant to the Trust Agreement, (iii) moneys intercepted by the Authority from monies due to the Participants from the State pursuant to Section 67-8727, Idaho Code, (iv) State Sales Tax Revenues, and (v) all other moneys received by the Authority and designated by the Authority as Revenues. The pledge in Section 67-8716(4), Idaho Code, provides that the State will not alter or limit the pledge of sales tax revenues from the sales tax account of the State (the “Sales Tax Account”) until the Bonds are paid in full. All of the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and in trust as security for the payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided under the Trust Agreement. This pledge shall constitute a pledge of and charge and lien upon the Revenues on parity with Funded Debt, if any, and all other moneys on deposit in the funds and accounts established under the Trust Agreement (excluding amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds. The pledge of and charge and lien upon State Sales Tax Revenues, however, is subordinate to certain bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and State tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code. See “Appendix E -- Summary of the Trust Agreement and the Form of Loan Agreement” attached hereto.

The Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided under the Trust Agreement and the Act. The Bonds do not constitute indebtedness within the meaning of any constitutional or statutory limitation or restriction.

PURSUANT TO SECTION 67-8724 OF THE ACT, THE STATE HAS PLEDGED NOT TO IMPAIR BONDHOLDER RIGHTS UNDER SECTION 67-8724 OF THE ACT. THE STATE ALSO PLEDGES AND AGREES WITH THE OWNERS OF THE BONDS, PURSUANT TO SECTION 67-8724 OF THE IDAHO CODE, THAT THE STATE WILL NOT LIMIT OR ALTER THE RIGHTS VESTED IN THE AUTHORITY BY THE ACT TO FULFILL THE TERMS OF ANY AGREEMENTS MADE WITH SUCH OWNERS, OR IN ANY WAY IMPAIR THE SECURITY, RIGHTS OR REMEDIES OF THE OWNERS OF THE BONDS UNTIL THE BONDS, TOGETHER WITH INTEREST THEREON, ARE FULLY PAID AND DISCHARGED. THE STATE PLEDGES TO AND AGREES WITH THE OWNERS OF THE BONDS THAT THE STATE WILL NOT ALTER, IMPAIR OR LIMIT THE RIGHTS VESTED BY THE SALES TAX ACCOUNT PLEDGE PROVIDED IN SECTIONS 67-8716 AND 63-3638, IDAHO CODE, WITH RESPECT TO THE BONDS UNTIL THE BONDS, TOGETHER WITH APPLICABLE INTEREST, ARE FULLY PAID AND DISCHARGED. THE AUTHORITY IS AUTHORIZED TO INCLUDE THIS PLEDGE AND AGREEMENT IN ANY INDENTURE, TRUST AGREEMENT OR OTHER AGREEMENT WITH THE HOLDERS OF SUCH BONDS. THIS PLEDGE HAS BEEN INCLUDED IN THE TRUST AGREEMENT.

Additional Bonds

Additional Bonds may be issued by the Authority under and pursuant to the Trust Agreement and subject to the conditions set forth therein. See "Appendix E -- Summary of the Trust Agreement and the Form of Loan Agreement -- Additional Bonds."

Funded Debt

Funded Debt, which is debt of the Authority secured by a pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues, which is equal and ratable to the lien of the Trust Agreement on or in such Revenues, may be issued by the Authority under and pursuant to the Trust Agreement and subject to the conditions set forth therein. See "Appendix E -- Summary of the Trust Agreement and the Form of Loan Agreement -- Funded Debt."

Flow of Funds

All money in each of the accounts held in trust by the Trustee are required by the Trust Agreement to be applied, used and withdrawn only for the purposes outlined below:

At least 15 days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date. No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Series 2004A Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

At least 15 days before each September 1, commencing September 1, 2005, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the principal amount of all Outstanding Bonds maturing on such September 1. No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Bonds maturing on such September 1.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative.

On June 30 of each year, after making the required deposits into the Interest Account, Principal Account and Subordinated Indebtedness Fund, the Trustee may withdraw from the Revenue Fund and transfer to the Authority for deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure any such deficiency, then the Trustee shall withdraw from the Subordinated Indebtedness Fund, if any, and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

State Sales Tax Account

Pledge. Monies transferred from the State Sales Tax Account to the Trustee are part of the Trust Estate pledged to the repayment of principal and interest on the Series 2004A Bonds. The State Sales Tax Account is comprised of retail sales taxes and taxes on rentals of tangible personal property, admission fees and fees for recreation or hotel/motel rooms of up through 30 days. Use tax applies if sales tax was not paid at the point of purchase. Exceptions include utilities, motor fuels, prescription drugs, tangible personal property used in manufacturing, farming, processing, mining and fabricating.

In the event the State Treasurer will be unable to transfer sufficient intercepted payments (see "State Intercept Payments" herein) for full payment of principal of and interest on the Series 2004A Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A), to give notice to the Tax Commission, certifying the amount of the deficiency, at least 5 days prior to the Payment Date of the Bonds. After receipt of the certified notice from the State Treasurer, the Tax Commission shall, pursuant to the Act: (i) immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) cause moneys to be transferred from the State Sales Tax Account and deposited in the Bond Bank Authority Fund; *provided however*, that the transfer of moneys from the State Sales Tax Account, under the provisions of Section 67-8716 of the Act, shall not impede or otherwise limit the payment of sales tax moneys pledged for the payment on other bonds outstanding as of July 1, 2001, or tax anticipation notes issued by the State pursuant to Section 63-3202, Idaho Code.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund for the Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Bonds on the Payment Date and then to the State for reimbursement of any moneys transferred to the State sales tax account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

Senior Liens on State Sales Taxes. The Idaho School Bond Guaranty is secured by a pledge of State sales tax revenues pursuant to Chapter 53, Title 33, Idaho Code (the "Idaho School Bond Guaranty Act"). Bonds secured by the Idaho School Bond Guaranty as of July 1, 2001 would have a lien on State sales tax revenues superior to that of the Series 2004A Bonds. However, there were no bonds issued on or prior to July 1, 2001 that were secured by the Idaho School Bond Guaranty. Bonds secured by the Idaho School Bond Guaranty after such effective date do not have a superior lien on State sales tax revenues.

Sales tax funds must be allocated to the Idaho Housing and Finance Association bonds outstanding as of July 1, 2001, if within 60 days of the close of the Fiscal Year, the Chairman of the Housing Agency Board of Commissioners certifies to the State Tax Commission that a deficiency exists in any Agency Capital Reserve

Fund. As of October 15, 2004, the Idaho Housing and Finance Association's outstanding bond indebtedness was \$15,445,000. No claims have ever been made by the Agency for State sales tax funds. The Legislature has eliminated the continuing appropriation for all Idaho Housing and Finance Association bonds issued on or after January 1, 1996.

From time-to-time, the State issues tax anticipation notes for its cash flow purposes. Pursuant to Chapter 32, Title 63 of the Code, the State may borrow monies in anticipation of general tax revenues (i.e., income and revenue from taxes, whether specific, *ad valorem*, excise, income, sales, franchise or license), in a principal sum not to exceed 75 percent of the income or revenue from such taxes as the State reasonably anticipates to be collected during the fiscal year. General tax revenues anticipated to be collected during Fiscal Year 2005 are expected to be not less than \$2,049,150,000, which provides a limit of \$1,536,862,500 on such borrowings for Fiscal Year 2005. The State's tax anticipation notes represent 11 percent of the Fiscal Year 2005 projected general tax revenues, which is less than 75 limit allowed by the Code.

Listed below are the amounts borrowed and retirement dates of tax anticipation notes in the past five Fiscal Years.

State Tax and Revenue Anticipation Notes

Fiscal Year	Principal	Interest Rate	Maturity Date
2004-05	\$230,000,000	3.00%	June 30, 2005
2003-04	375,000,000	2.00%	June 30, 2004
2002-03	350,000,000	3.00%	June 30, 2003
2001-02	250,000,000	3.75%	June 28, 2002
2000-01	200,000,000	5.38%	June 29, 2001

Source: Idaho State Treasurer's Office, October 2004

Rates and Receipts. Sales tax rates since inception of the tax have been as follows:

Historical State Sales Tax Rates

Dates	Rate
As of July 1, 2005 ⁽¹⁾	5.00%
May 1, 2003 -- June 30, 2005	6.00%
April 1, 1986 -- April 30, 2003	5.00%
July 1, 1984 -- March 31 1986	4.00%
June 1, 1983 -- June 30, 1984	4.50%
March 1, 1983 -- May 31, 1983	4.00%
July 1, 1965 -- February 28, 1983	3.00%

(1) The 2003 Economic Recovery and Stabilization Act increased the sales tax from 5 percent to 6 percent for the period May 1, 2003 through June 30, 2005. The sales tax is scheduled to return to 5 percent on July 1, 2005.

Source: Idaho State Treasurer's Office.

State of Idaho
Taxable Sales and Use Taxable Sales
(\$000 Omitted)

Calendar Year	Amount	Calendar Year	Amount
2003	\$ 16,655,483	1998	\$ 12,970,353
2002	16,193,606 ⁽¹⁾	1997	12,434,851
2001	14,211,532 ⁽¹⁾	1996	12,285,739
2000	14,912,310	1995	11,624,000
1999	14,601,265	1994	11,191,306

(1) Due to a system conversion at the end of Fiscal Year 2001, some taxable sales and use taxable sales from Fiscal Year 2001 were reported in Fiscal Year 2002.

Source: Idaho State Tax Commission.

The Idaho State Tax Commission (the "Tax Commission") collects and audits State sales tax receipts. **State sales taxes are received by the State on the 20th day of each month unless the amount is less than \$500, in which case it is received quarterly.**

Total sales taxes received by the Tax Commission in the past five years are shown in the following table:

Historical State Sales Tax Receipts

Fiscal Year Ended June 30	Sales Tax Receipts
2004	\$1,032,987,504
2003	839,180,862
2002	791,623,566
2001	778,886,914
2000	750,125,925

Source: Idaho State Tax Commission Annual Reports.

State Intercept Payments

The State collects certain revenues which are disbursed to local governments, including the Participants. Revenues collected by the State and distributed to the Participants are subject, under the terms of the Act and the Loan Agreements, to the State intercept and repayment procedures contained in Section 67-8727, Idaho Code.

State-administered and collected revenues that are disbursed to local governments include State sales taxes, liquor taxes, cigarette taxes and fuel taxes, among others. Of these, the State sales tax is the largest revenue source, representing approximately 77 percent of the Fiscal Year 2003 State-administered taxes that are distributed to local governments. The Tax Commission collects State-administered tax receipts and conducts audits on such taxes. Further, although taxes on fuel are subject to interception, such tax receipts are restricted by the Idaho Constitution for use on roads and highway projects and may not be used for payment of principal of and interest on the Series 2004A Bonds. In addition, the Tax Commission collects hotel/motel room sales tax, corporate net income tax, electricity tax, estate tax, Illegal Drug Stamp Act tax, mine license tax, and personal income tax.

Pursuant to Idaho Code 63-3638 (9), sales tax revenue is distributed through a revenue sharing account held by the State Treasury to cities, counties and special districts (the "State Shared Revenues"). **Distributions to cities are made at the end of each quarter, which is each September 30, December 30, March 31, and June 30.**

Sales tax rates and distribution of sales tax receipts are determined by statute. The Idaho Legislative Session in 2003 took two actions related to sales taxes. First, it increased the sales tax rate for the two-year period from

May 1, 2003, through June 30, 2005. Second, it reduced the amount available for distribution to the State Shared Revenue account through July 31, 2005.

Sales Tax Rates and Allocation to State Shared Revenue Account

	Sales Tax Rate	Allocation Percentage to State Shared Revenue Account
Prior to 2003	5%	13.5%
2003-2005	6%	11.5%
2005	5%	13.75%

Source: Idaho Tax Commission

The State Shared Revenues are to be distributed as follows:

- (i) 28.2 percent to cities according to city population (50 percent) and assessed market value (50 percent).
- (ii) 28.2 percent to counties.
- (iii) 35.9 percent to various counties for distribution to those cities and counties in Idaho that received payments under Section 63-3638(e) in the fourth quarter of calendar year 1999. Because of a "hold harmless" provision in the county distribution, cities receive a base, which is equal to the amount received in the fourth quarter of calendar year 1999. If sales tax collections fall below the 1999 level, payments to cities and counties are reduced proportionately. If sales tax receipts exceed this level, cities can receive revenues up to 5 percent above their base. Any excess in sales tax receipts over 105 percent of the base level is distributed half to cities and half to counties, and apportioned according to city population.
- (iv) 7.7 percent to the various counties for distribution to special purpose districts.

Intercept Payments. Each Participant is required under its Loan Agreement to consent and agree to the State intercept and repayment procedures contained in Section 67-8727, Idaho Code, and as set forth below:

If a Participant is unable to transfer all of its Repayment Installment to the Trustee at least 15 days before the Repayment Installment Date, the Participant shall immediately notify the Trustee, the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. If sufficient funds are not transferred to the Trustee for the Series 2004A Bonds at least 10 days before the Payment Date, the Trustee is required by the Trust Agreement to transfer any available funds pledged to secure payment of the Series 2004A Bonds in sufficient amounts to make up any shortfall in the amount necessary to pay debt service on the Series 2004A Bonds on the Payment Date and deposit such amount in the Revenue Fund for the Series 2004A Bonds.

If, as a result of the failure of a Participant to make Repayment Installments in a timely manner, the Trustee transfers funds as described in the preceding paragraph to pay debt service on the Series 2004A Bonds or if there are not sufficient funds available as described in the preceding paragraph to make up for any shortfall in the amount necessary to pay debt service on the Series 2004A Bonds, at least 10 days before the Payment Date of the Series 2004A Bonds, the Trustee shall notify the Authority and the State Treasurer by telephone, a writing sent by facsimile transmission and a writing sent by first-class United States mail. Upon such notice, the State Treasurer is required by Section 67-8727(1)(e) of the Act to immediately intercept any payments from: (a) the receipts of any payment of property taxes; or (b) sales tax moneys that would be distributed pursuant to Section 63-3638, Idaho Code; or (c) any other source of operating moneys provided by the State to the Participant that would otherwise be paid to the Participant by the State, *provided, however*, that although the State distributes fuel tax revenues to the Participants, the use of fuel tax revenues is restricted under the Idaho Constitution and there can be no assurance that such fuel tax revenues would be available for payment of debt service on the Series 2004A Bonds.

If the State has made all or part of a Repayment Installment from moneys transferred from the State Sales Tax Account pursuant to Section 67-8716, Idaho Code, on behalf of the Participant, the Participant shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus 5%; and (c) pay all penalties required by the Act.

Loan Agreement

Income Fund. Each Participant is required under the terms of its Loan Agreement to agree and covenant that all System Revenues shall be received by the Participant in trust and deposited when and as received in a special fund designated as the "Income Fund", which fund is required to be maintain and to held separate and apart from other funds of such Participant so long as any Repayment Installments remain unpaid. To the extent a Participant has an existing fund which satisfies these requirements, then such shall be deemed to be the "Income Fund". The Participant may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in Permitted Investments.

All System Net Revenues and all amounts on deposit in the Income Fund are irrevocably pledged to the payment of the Repayment Installments and the System Net Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid; *provided* that (i) any Prior Obligations shall be paid on parity with the Repayment Installments, and (ii) out of the System Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Loan Agreement. The Participants' obligation to pay Repayment Installments and all other Parity Debt, when due, constitutes a first lien on System Net Revenues.

Each Participant shall, from the moneys in the Income Fund, pay the Operation and Maintenance Costs, including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required, as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Income Fund shall be set aside by the Participant at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth below:

First, for Repayment Installments. Not later than the date each Repayment Installment is due (the "Repayment Installment Date"), each Participant shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date. The Participant shall also, from the moneys in the Income Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of any Parity Debt.

Second, for Surplus. Moneys on deposit in a Participant's Income Fund not necessary to make any Repayment Installments or other Parity Obligation Payments may be expended by such Participant at any time for any purpose permitted by law.

Additional Obligations of Participants

The cities of Blackfoot and Coeur d'Alene currently have Parity Debt and the City of Coeur d'Alene is in the process of obtaining additional wastewater loans from DEQ which will be Parity Debt. **The cities of Coeur d'Alene and Driggs issued bonds that have a lien on the System Net Revenues of each respective city that is superior to that of its Loan.** Additional information on such Parity Debt and senior lien bonds are provided in the appendix for the corresponding Participant attached hereto.

The Participant may at any time enter into any Parity Debt; *provided*:

- (i) Such Participant shall be in compliance with all agreements, conditions, covenants and terms contained herein, and a Certificate of the Participant to that effect shall have been filed with the Trustee (with the consent of the Bond Insurer this condition shall not apply where the purpose of the proposed Parity Debt is to cure such non-compliance).
- (ii) The Parity Debt shall have been duly authorized pursuant to all applicable laws.
- (iii) DEQ approves a loan application from the Participant, or a report of the Consulting Engineer shows that (a) the System Net Revenues for the projected life of the Parity Debt will be at least equal to 110% of the Maximum Annual Debt Service, or (b) the System Net Revenues for the Fiscal Year immediately preceding the date of the resolution authorizing the Parity Debt shall have been sufficient to pay an amount representing 110% of the Maximum Annual Debt Service; provided, that there may be added to such System Net Revenues an allowance for net revenues from any improvements to the System to be made with the proceeds of such Parity Debt and also for net revenues from any improvements to the System which have been made from money from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 75 percent of the estimated additional average annual net revenues to be derived from each such improvement for the first 36 month period in which each such improvement is in operation.

In determining whether Parity Debt may be issued, the Consulting Engineer shall consider any probable increase (but not decrease) in Operation and Maintenance Costs

There is no limitation on the issuance of any revenue bonds of any Participant payable from its System Net Revenues and secured by a lien and charge on its System Net Revenues if, after the issuance and delivery of such revenue bonds, none of its Repayment Installments shall be unpaid. Furthermore, there is no limitation of the issuance of any Parity Debt for the purpose of refunding Outstanding Parity Debt or of any Subordinate Obligations.

Financial Guaranty Insurance

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2004A Bonds effective as of the date of issuance of the Series 2004A Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2004A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2004A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2004A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2004A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2004A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2004A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2004A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2004A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2004A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2004A Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2004A Bond and will be fully subrogated to the surrendering Holder's rights to payment.

The Insurer -- Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,069,000,000 (unaudited) and statutory capital of approximately \$5,015,000,000 (unaudited) as of September 30, 2004. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2004A Bonds.

Ambac Assurance makes no representation regarding the Series 2004A Bonds or the advisability of investing in the Series 2004A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the headings "Financial Guaranty Insurance" and "Appendix M -- Specimen Financial Guaranty Insurance Policy".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange

Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003 and filed on March 15, 2004;
2. The Company's Current Report on Form 8-K dated April 21, 2004 and filed on April 22, 2004;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2004 and filed on May 10, 2004;
4. The Company's Current Report on Form 8-K dated July 21, 2004 and filed on July 22, 2004;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2004 and filed on August 9, 2004;
6. The Company's Current Report on Form 8-K dated August 19, 2004 and filed on August 20, 2004;
7. The Company's Current Report on Form 8-K dated October 20, 2004 and filed on October 20, 2004; and
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2004 and filed on November 9, 2004.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

Ratings

As noted on the cover page of this Official Statement, the Authority received an underlying rating of "Aa3" and an insured rating of "Aaa" for the Bonds from Moody's Investors Service. The insured rating is based on the Authority's purchase of the Financial Guaranty Insurance Policy. The ratings reflect only the views of such rating agency and an explanation of the significance of the ratings may be obtained from the rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Financial Factors

As a newly formed entity, the Authority has not yet prepared financial statements. The Authority expects to prepare financial statements for its Fiscal Year ending June 30, 2005.

Each municipal corporation in the State must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

The Tax Commission produces an annual report that includes information on State-administered tax rates and distribution of tax receipts. This annual report is available by contacting the Tax Commission in writing to Idaho State Tax Commission, PO Box 36, Boise Idaho 83722-0410, or by obtaining it from the Tax Commission's internet site, which is currently http://tax.idaho.gov/annual_reports.htm.

The June 30, 2005 and future financial statements of the Authority may be ordered, when available, by contacting the individual NRMSIRs at the addresses below or by contacting DisclosureUSA.

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55 Water Street
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New York, NY 10041
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Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, based upon an analysis of existing laws, regulations, rulings, and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of Idaho personal income taxes. Bond Counsel is also of the opinion that interest on the Series 2004A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Among other matters, Bond Counsel has relied on the opinion of Moore Smith Buxton & Turke, Chartered, Boise, Idaho, as to certain legal matters with regards to the Loan Agreements. A complete copy of the proposed opinion of Bond Counsel is set forth in Appendix B hereto.

Series 2004A Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser's basis in a Premium Bond, and under Treasury Regulations the amount of tax exempt

interest received, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 2004A Bonds. The Authority has covenanted to comply with certain restrictions designed to assure that interest on the Series 2004A Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2004A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2004A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2004A Bonds may adversely affect the value of, or the tax status of interest on, the Series 2004A Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2004A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2004A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Series 2004A Bonds is excluded from gross income for federal income tax purposes, and is exempt from State of Idaho personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2004A Bonds may otherwise affect a Series 2004A Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Series 2004A Bondholder or Series 2004A Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Series 2004A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Series 2004A Bondholders from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2004A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Series 2004A Bonds for audit examination, or the course or result of any IRS examination of the Series 2004A Bonds, or obligations which present similar tax issues, will not affect the market price for the Series 2004A Bonds.

The Initiative Process

Title 34, Chapter 18 of the Idaho Code reserves to the people of the State the initiative and referendum power pursuant to which measures designed to amend the Idaho Constitution or enact legislation, can be placed on the statewide general election ballot for consideration by the voters. "Referendum" generally means measures which have been passed by the legislature and then referred to the electors by a legislative body, such as the State Legislative Session or the governing body of a city, county or other political subdivision, or by petition prior to its effective date. "Initiative" generally means a new measure placed before the voters as a result of a petition circulated by one or more private citizens.

Any person may file a proposed initiative with the signatures of 20 qualified electors of the State in the Idaho Secretary of State's office. The Idaho Attorney General is required by law to review and make recommendations (if any) on the petition before issuing a review to the Secretary of State. The Attorney

General, after a specified time period, shall then be directed by the Secretary or State to provide a ballot title for the initiative. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Idaho Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the Secretary of State has authorized the petitioners, the proponents of the initiative, during an 18 month circulation period or until April 30 in an election year, whichever occurs first, may start gathering the initiative petition signatures necessary to place the proposed initiative on the ballot. To be placed on a general election ballot, the proponents of a proposed initiative must submit to the Secretary of State initiative petitions signed by a number of qualified voters equal to a specified percentage of the qualified electors at the general election next preceding the filing of the petition with the Secretary of State.

All petitions for initiative and referendum must contain signatures of registered voters equal to 6 percent of the qualified electors at the last general election (this would be 40,772 signatures based on the last general election, which was held on November 5, 2002) before being considered for final filing.

The initiative petition must be filed with the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition. If the person obtaining signature is being paid, the signature sheet must contain a notice of such payment.

Referendum petitions must be filed not more than 60 days after the final adjournment of the session of the State Legislature which passed the bill on which the referendum is demanded.

Historical Initiative Petitions

According to the Elections Division of the Idaho Secretary of State, the number of initiative petitions that have qualified for the ballot in the past decade, and the number that have passed in the general elections in the years since 1992 are as follows:

Historical Initiative Petitions

Year of General Election	Number of Initiatives that Qualified	Number of Initiatives that Passed
2004	0	--
2002	1	1
1998	1	1
1996	4	1
1994	2	1
1992	1	0

Source: Elections Division, Idaho Secretary of State; <http://www.idsos.state.id.us/elect/inits/initinfo.htm>, September 2004

Legal Matters

Approval of Counsel

Legal matters incident to the authorization, issuance and sale of the Series 2004A Bonds are subject to the approving legal opinion of Bond Counsel, Orrick, Herrington & Sutcliffe LLP, substantially in the form attached hereto as Appendix B. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Moore Smith Buxton & Turcke, Chartered, Boise, Idaho, special counsel to the Authority, will provide an opinion with respect to the Loan Agreements. Certain legal matters will be passed on for the Underwriter by its counsel, Skinner Fawcett, Boise, Idaho.

Litigation

There is no litigation pending or threatened questioning the validity of the Loans or the Series 2004A Bonds, the power and authority of the Participants to enter into the Loan Agreements or the power and authority of the Authority to issue the Series 2004A Bonds and loan the Bond proceeds to the Participants under the Loan Agreements. There is no litigation pending or threatened that would materially affect the finances of the Participants or affect the Participants' ability to meet debt service requirements on the Loans.

Financial Advisor

In connection with the authorization and issuance of the Series 2004A Bonds, the State has retained Western Financial Group, Inc. LLC, Lake Oswego, Oregon, as its financial advisor.

Underwriting

The Series 2004A Bonds are being purchased by Seattle-Northwest Securities Corporation, the Underwriter. The purchase contract provides that the Underwriter will purchase all of the Series 2004A Bonds, if any are purchased, at a price of 105.1676 percent of the par value of the Series 2004A Bonds, plus accrued interest. The Series 2004A Bonds will be reoffered at an average price of 105.9176 percent of the par value of the Series 2004A Bonds. After the initial public offering, the public offering prices may be varied from time to time.

Concluding Statement

The information set forth herein is not to be construed as a contract with the Owners of the Series 2004A Bonds.

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Appendix A

Definitions

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DEFINITIONS

“Accreted Value” means, with respect to any Capital Appreciation Bond and as of any date of calculation, the sum of the Initial Amount of such Bond and the interest accreted and compounded thereon to such date of calculation determined by reference to the applicable Accreted Value Table for the dates indicated thereon and as provided in the Trust Agreement with respect to any other date.

“Accreted Value Table” means, with respect to the Capital Appreciation Bonds, the table attached to the Supplemental Trust Agreement authorizing such Bonds, indicating as to the smallest Authorized Denomination of such Capital Appreciation Bonds, the Initial Amount thereof, the Accreted Value of such Capital Appreciation Bonds on each date on which interest on such Capital Appreciation Bonds is compounded, and the Accreted Value thereof on the maturity date thereof.

“Act” means the Idaho Bond Bank Authority Act, being Idaho Code, Title 67, Chapter 87, as amended.

“Additional Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant to the Trust Agreement and executed, issued and delivered in accordance with the provisions of the Trust Agreement concerning the Issuance of Bonds.

“Aggregate Debt Service” shall mean, for all Sales Tax Secured Debt for such period, as of any date of calculation and with respect to any period, the sum of: (1) the interest falling due on such Sales Tax Secured Debt during such period (except to the extent that such interest is payable from the proceeds of such Sales Tax Secured Debt set aside for such purpose), and (2) the principal (or mandatory sinking fund or installment purchase price or lease rental or similar) payments or deposits required with respect to such Sales Tax Secured Debt during such period; computed on the assumption that no portion of such Sales Tax Secured Debt shall cease to be outstanding during such period except by reason of the application of such scheduled payments; provided that if interest on Sales Tax Secured Debt is payable pursuant to a variable interest rate formula, the interest rate on such Sales Tax Secured Debt for periods when the actual interest rate cannot be yet determined shall be assumed to be equal to the greater of (a) the current interest rate calculated pursuant to the provisions of such agreement or, (b) if available, the daily average interest rate on such Sales Tax Secured Debt during the preceding thirty-six (36) months preceding the date of calculation, (c) if such Sales Tax Secured Debt has not been outstanding for such 36-month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a nationally recognized bond rating agency with a rating similar to the rating on such Sales Tax Secured Debt, or (d) the maximum rate established by any borrowing document authorizing the variable rate debt.

“Ambac Assurance” means, for the Series 2004A Bonds, Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

“Annual Debt Service” means, for any Fiscal Year, the sum of (1) the interest accruing on all Parity Debt during such Fiscal Year, assuming that all Parity Debt is retired as scheduled, plus (2) the principal amount (including principal due as sinking fund installment payments) allocable to all Parity Debt in such Fiscal Year, calculated as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts from, in each case, each payment date for principal or the date of delivery of such Parity Debt (provided that principal shall not be deemed to accrue for greater than a 365-day period prior to any payment date), as the case may be, to the next succeeding payment date for principal.

“Authority” means the Idaho Bond Bank Authority created pursuant to the Act and its successors and assigns in accordance to the Trust Agreement.

“Authority Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the Authority, and who, or each of whom—

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the Authority;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and

(3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

“Authorized City Representative” means the Mayor or City Clerk, or any such officer’s designee, or any other officer of the City duly authorized by the City.

“Authorized Denominations” means the amount or amounts so designated in the Supplemental Trust Agreement authorizing such Bonds, and with respect to the Series 2004A Bonds, \$5,000 or any integral multiple thereof.

“Authorized Representative” means the Executive Director, Secretary or Treasurer of the Authority, or any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Bond Counsel” means counsel of recognized national standing in the field of law relating to municipal bonds, appointed by the Authority.

“Bond Insurance Policy” means any policy or policies of insurance or financial guaranty bond insuring the scheduled payment of the principal of and interest on the Bonds when due and issued by the Bond Insurer.

“Bond Insurance Trustee” means, for the Series 2004A Bonds, The Bank of New York, in New York, New York, as insurance trustee for Ambac Assurance, or any successor insurance trustee.

“Bond Insurer” means any insurance company or companies which has or have issued any Bond Insurance Policy insuring the scheduled payment of the principal of and interest on any Outstanding Bonds or portion thereof when due

“Bonds” means the Series 2004A Bonds and all Additional Bonds.

“Bond Owner” or “Holder” means any person who shall be the registered owner of any Outstanding Bond.

“Business Day” means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of New York or State of Idaho are authorized to remain closed, or a day on which the Federal Reserve system is closed.

“Capital Appreciation Bonds” means the Bonds of each Series so designated and which bear interest payable as a portion of the Accreted Value of such Bonds at the maturity or earlier redemption or payment thereof.

“Certificate of the Authority” means an instrument in writing signed by the Secretary or Treasurer of the Authority, or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

“Certificate of the City” means an instrument in writing signed by an Authorized City Representative, such authorization to be evidenced by a certificate verifying the specimen signatures of such officers at the request of the Trustee.

“City Independent Certified Public Accountant” means any firm of certified public accountants appointed by the City, which is independent of the City and the Authority pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Code” means the Internal Revenue Code of 1986, as amended.

“Consulting Engineer” means any qualified registered or licensed professional engineer practicing under the laws of the State of Idaho selected by the City.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement executed by the Authority dated the date of issuance and delivery of a Series of Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, execution and delivery of the Trust Agreement and the issuance and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, premiums of any provider of Bond Insurance, fees and charges for preparation, execution and safekeeping of the Bonds, fees of the Authority and any other authorized cost, charge or fee in connection with the issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“Current Interest Bonds” means the Bonds of each Series so designated and which bear interest payable on the Interest Payment Dates applicable to such Series.

“Depository” means DTC or another recognized securities depository selected by the Authority which maintains a book-entry system for the Bonds.

“DEQ” means the Department of Environmental Quality of the State of Idaho.

“DTC” means The Depository Trust Company, New York, New York.

“Event of Default” shall have the meaning specified in the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners.

“Final Compounded Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value thereof on its maturity date.

“Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news, and selected by the Authority.

“First Supplemental Trust Agreement” means the Supplemental Trust Agreement between the Authority and the Trustee for the Series 2004A Bonds.

“Fiscal Year” means the twelve (12) month period terminating on June 30 of each year, or any other annual accounting period thereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

“Funded Debt” shall mean all Indebtedness of Authority secured by a Parity Lien.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Government Securities” means cash (insured at all times by the Federal Deposit Insurance Corporation) or obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed Title XI financing, Government National Mortgage Association (GNMA), State and Local Government Series. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Income Fund” means the fund by that name created pursuant to the provisions of the Loan Agreements concerning the Allocation of System Revenues.

“Indebtedness” mean bonds, notes or other obligations of the Authority issued pursuant to the Act.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, NJ 17302, Attention: Editor; Kenny Information Services’ “Called Bond Service,” 65 Broadway, 16th Floor, New York, NY 10006; Moody’s Investors Service’s “Municipal and Government,” 99 Church Street, 8th Floor, New York, NY 10007, Attention: Municipal News Reports; and Standard & Poor’s Ratings Group’s “Called Bond Record,” 25 Broadway, 3rd Floor, New York, NY 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or such services as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Initial Amount” means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond on the date of issuance thereof.

“Interest Payment Date” means with respect to the Bonds of any Series, the interest payment dates for such Series specified in the Supplemental Trust Agreement authorizing the issuance of such Series, and with respect to the Series 2004A Bonds, each March 1 and September 1, commencing March 1, 2005.

“Loan Agreement” means a loan of Series 2004A Bond proceeds to a Participant pursuant to a Loan Agreement.

“Maturity Amount” shall mean, (i) with respect to a Capital Appreciation Bond, the Final Compounded Amount thereof, and (ii) with respect to a Current Interest Bond, the stated principal amount thereof.

“Maximum Annual Debt Service” means, as of any date of calculation, the largest Annual Debt Service during the period from the date of such calculation through the final maturity date of all Parity Debt.

“Moody’s” means Moody’s Investors Service, Inc. a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Municipal Bonds” means a bond, note, or other obligation, including a loan, lease or installment sales agreement, issued or undertaken by a Municipality for any purpose authorized by law, as specified in a Supplemental Trust Agreement, and collectively, the loan agreements identified in Exhibit B of the First Supplemental Trust Agreement.

“Municipal Bond Purchase Fund” means the fund by that name established pursuant to the provisions of the Loan Agreements concerning Funds and Accounts.

“Municipality” means any county, city, municipal corporation, school district, irrigation district, sewer district, water district, highway district or other special purpose district or political subdivision of the State established by law as set forth in a Supplemental Trust Agreement.

“Net Proceeds” means, when used with respect to any casualty insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Operation and Maintenance Costs” means all reasonable and necessary current expenses of the City, paid or accruing, for operating, maintaining and repairing the System, including legal and overhead expenses of the municipality directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries, administrative expenses, labor, and the cost of materials and supplies for current operation, but not including depreciation, legal liabilities not based on contract, the cost of improvements to the System, charges for accumulation of reserves, or payment of Parity Debt or Subordinate Obligations.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding,” when used as of any particular time with reference to Bonds, means all Bonds except

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement concerning Discharge of Bonds; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant to the Trust Agreement.

“Parity Debt” means the Repayment Installments, any Prior Obligations, and any Parity Obligations.

“Parity Lien” means any pledge, lien, security interest, encumbrance or charge of any kind on or in all or any part of the Revenues which is equal and ratable to the lien of the Trust Agreement on or in such Revenues.

“Parity Obligations” means all obligations of the City authorized and executed by the City other than the Repayment Installments, the Parity Obligation Payments which are secured by a pledge of the System Net Revenues on parity with the Repayment Installments as provided in the Loan Agreements.

“Parity Obligation Payments” means the payments scheduled to be paid by the City under and pursuant to the Parity Obligations, which payments are secured by a pledge of System Net Revenues on parity with the Repayment Installments as provided in the Loan Agreements.

“Participants” means each of the Idaho cities shown on the inside cover page of this Official Statement.

“Paying Agent,” when used with reference to any Series of Bonds, means any commercial bank (including the Trustee and its affiliates) or trust company organized under the laws of any state of the United States of America, or any national banking association, designated as paying agent for the Bonds of such Series, and its successor or successors appointed in the manner provided in the Trust Agreement.

“Payment Date” means the date on which interest, Principal Installments or Redemption Price is due on Bonds.

“Permitted Investments” means any of the following:

(1) Government Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), and Federal Housing Administration and Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations issued by the Federal National Mortgage Association (FNMA) Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) or Federal Home Loan Mortgage Corporation (FHLMC); obligations

of the Resolution Funding Corporation (REFCORP); senior debt obligations of the Federal Home Loan Bank System; and senior debt obligations of other Government Sponsored Agencies approved by Ambac Assurance;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee, its parent and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase; provided, ratings on holding companies are not considered as the rating of the bank;

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee, its parent holding company, if any, or any other affiliates or subdivisions of the Trustee provide investment advisory or other management services;

(7) Pre-refunded Municipal Obligations;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(9) Investment agreements approved in writing by Ambac Assurance (supported by appropriate opinions of counsel);

(10) Other forms of investments (including repurchase agreements) approved in writing by Ambac Assurance.

"Person" means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Pre-refunded Municipal Obligations" means any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successor thereto; or

(2) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (a)(2) of the definition of Permitted Investments, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

“Principal Amount” means, as of any date of calculation, (i) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of such date of calculation, and (ii) with respect to any Current Interest Bond, the stated principal amount thereof.

“Principal Installment” means, with respect to amounts due for the Bonds of any Series as of any date, (i) the Principal Amount of all Outstanding Bonds of such Series due on such date for which no Sinking Fund Installments have been established, and (ii) the Sinking Fund Installments due on such date for Outstanding Bonds of such Series.

“Principal Office” refers to the office of the Trustee noted in the provisions of the Trust Agreement concerning Notices, except that for payments on Bonds and any exchange, transfer or surrender of Bonds, the Principal Office shall be U.S. Bank National Association, 60 Livingston Avenue, Bond Drop Window, EP-MN-WS3T, St. Paul, Minnesota 55107, or such other or additional offices as the Trustee may designate from time to time.

“Principal Payment Date” means with respect to the Bonds of any Series, the principal payment date for such Series specified in the Supplemental Trust Agreement authorizing the issuance of such Series, which shall be any date on which principal of the Bonds is required to be paid (whether by reason of maturity or redemption).

“Prior Loan” means, collectively, the Department of Health and Welfare Loan Offer, Acceptance and Contract for Wastewater Facility Design and Construction entered with DEQ into on the date and in the amount specified in Schedule 1 of the Loan Agreements, and the City’s promissory note or obligation to DEQ upon full disbursement of the loan.

“Prior Obligations” means the obligations specified in Schedule 1 of the Loan Agreements.

“Project” means the sewer improvement and construction program financed in part by the Prior Loan.

“Purchase Price” means the principal amount of the Municipal Bonds plus accrued interest to and including the date of purchase, as set forth in Exhibit B of the First Supplemental Trust Agreement.

“Rating Agencies” means, as of any date, (a) Moody’s, if Moody’s then maintains a rating on the Bonds, and (b) S&P, if S&P then maintains a rating on the Bonds.

“Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of either Moody’s and S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Rebate Fund” means the fund by that name established pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund.

“Record Date” means with respect to the payment of interest on any Series of Bonds, the date or dates specified as such in the Supplemental Trust Agreement authorizing such Series.

“Redemption Date” means the date fixed for redemption of any Bonds.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Trust Agreement.

“Repayment Amount” means the amount specified in Schedule 1 of the Loan Agreements.

“Repayment Installment” means any amount that the City is required to pay directly to the Trustee pursuant to the provisions of the Loan Agreements concerning Allocation of Revenues as a repayment of the loan made to the City under the Loan Agreements, which amount is determined in accordance thereto.

“Repayment Installment Date” means the dates corresponding to the Repayment Installments, as set forth in Exhibit B of the Loan Agreements.

“Representation Letter” means the blanket letter of representation of the Authority to DTC or any similar letter to a substitute depository.

“Responsible Officer” means any officer of the Trustee assigned to administer its duties under the Trust Agreement.

“Revenue Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“Revenues” means (i) all amounts payable to the Authority pursuant to the Municipal Bonds, (ii) all investment earnings thereon, (iii) moneys received by the Authority pursuant to Section 67-8727, Idaho Code, (iv) any State Sales Tax Revenues, and (v) all other moneys received by the Authority and designated by the Authority as Revenues. The designation by the Authority of any moneys as Revenue shall specify in which fund, account or subaccount the moneys shall be deposited.

“Sales Tax Secured Debt” means the Bonds, any Additional Bonds, Funded Debt, bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys but not including tax anticipation notes issued by the State of Idaho pursuant to Section 63-3202, Idaho Code.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, NY 11530, Fax: (516) 227-4039 or -4190; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, IL 60605, Fax: (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, PA 19103, Attention: Bond Department, Fax: (215) 496-5058; or such other addresses and/or such other securities depositories as the Authority may designate to the Trustee.

“Serial Bonds” means Bonds for which no sinking fund payments are provided.

“Series,” whenever used in the Trust Agreement with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Trust Agreement.

“Series 2004A Bonds” means the Idaho Bond Bank Authority Revenue Bonds, Series 2004A, authorized by, and at any time Outstanding pursuant to the Trust Agreement.

“Series 2004A Costs of Issuance Account” means the Account so established by the provisions of the First Supplemental Trust Agreement concerning the Procedure for the Issuance of Series 2004A Bonds

“Series 2004A Principal Payment Date” means with respect to the Series 2004A Bonds, each September 1, commencing September 1, 2005.

“Series 2004A Record Date” means with respect to the Series 2004A Bonds, the fifteenth (15th) day of the calendar month preceding the calendar month in which each Interest Payment Date occurs.

“Sinking Fund Installment” means an amount so designated which is established pursuant to the provisions of the Trust Agreement concerning the General Provisions for Issuance of Additional Bonds with respect to any Series of Bonds other than the Series 2004A Bonds, which shall be as provided in a Supplemental Trust Agreement.

“S&P” means Standard & Poor’s Ratings Group, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term S&P shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“State” means the State of Idaho.

“State Sales Tax Act” means Idaho Code, Title 63, Chapter 36, as amended.

“State Sales Tax Moneys” means the moneys collected by the State pursuant to the State Sales Tax Act.

“State Sales Tax Revenues” means the moneys transferred to the Authority from State sales taxes as provided in Section 63-3638 of the State Sales Tax Act and Section 67-8716 of the Act.

“Subordinate Obligations” means the obligations of the City that are subordinate in payment to the Repayment Installments.

“Subordinated Indebtedness” means any bond, note or other evidence of indebtedness, which is expressly made subordinate and junior in right of payment to the Bonds and which complies with the provisions of the Trust Agreement concerning Subordinates Indebtedness. Any such Subordinated Indebtedness shall not be nor be deemed to be Bonds for purposes of the Trust Agreement.

“Subordinated Indebtedness Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Subordinates Indebtedness.

“Subordinated Indebtedness Trust Agreement” means the resolution, indenture, trust agreement or other instrument authorizing the issuance of any Subordinated Indebtedness.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory thereof or supplemental thereto; but only if and to the extent that such Supplemental Trust Agreement is executed and delivered pursuant to the provisions of the Trust Agreement.

“Surplus Fund” means the Fund so designated established pursuant to the provisions of the Trust Agreement concerning Funds and Accounts.

“System” means all of the City’s sewer system, and its sewer facilities and properties now owned or thereafter acquired, whether situated within or without City boundaries.

“System Net Revenues” means the remaining revenues of the System after deducting Operation and Maintenance Expenses.

“System Revenues” means all gross income and revenue received or receivable by the City from the ownership or operation of the System, determined in accordance with Generally Accepted Accounting Principles, including all fees (including connection fees), rates, charges and all amounts paid under any contracts received by or owed to the City in connection with the operation of the System and all proceeds of insurance relating to the System and investment income allocable to the System and all other income and revenue howsoever derived by the City from the ownership or operation of the System or arising from the System.

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trust Agreement” means the Master Trust Agreement, dated as of December 1, 2004 between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions thereof.

“Trustee” means U.S. Bank National Association, or any other association or corporation which may at any time be substituted in its place as provided in provisions of the Trust Agreement concerning the Trustee.

“Trust Estate” means, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement: (i) the Revenues and (ii) all amounts on deposit in the funds and accounts held and maintained pursuant to the Trust Agreement including the investments, if any, thereof.

“Written Request of the Authority” means an instrument in writing signed by or on behalf of the Authority by its Secretary, Treasurer or by any other person (whether or not an officer of the Authority) who is specifically authorized by resolution of the Authority for that purpose.

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Appendix B

Form of Bond Counsel Opinion

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[Date of Issuance]

Idaho Bond Bank Authority
Boise, Idaho

Idaho Bond Bank Authority Revenue Bonds, Series 2004A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Idaho Bond Bank Authority (the “Issuer”) of \$11,070,000 aggregate principal amount Idaho Bond Bank Authority Revenue Bonds, Series 2004A (the “Bonds”). The Bonds are being issued pursuant to a Master Trust Agreement, dated as of December 1, 2004, as supplemented by a First Supplemental Trust Agreement, dated as of December 1, 2004 (collectively, the “Trust Agreement”), between the Issuer and U.S. Bank National Association, as trustee. The Bonds are issued for the purpose of making loans of the proceeds thereof to certain municipalities identified in the Trust Agreement (the “Municipalities”) pursuant to loan agreements (the “Loan Agreements”), dated as of December 1, 2004, between the Issuer and each of the Municipalities. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the form of Loan Agreement, the Tax Certificate, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Trustee and the Issuer, certificates of the Issuer, the Trustee, the Municipalities and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In particular, we have relied on the opinion of Moore Smith Buxton & Turke, Chartered, special counsel to the Issuer, regarding, among other matters, the validity of each Loan Agreement and the exclusion of interest on each Loan Agreement from gross income for federal income tax purposes.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our

engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Loan Agreements and the Tax Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement, the Loan Agreements and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of Idaho. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Trust Agreement, except the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

Idaho Bond Bank Authority
_____, 2004

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of Idaho personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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Appendix C

Book Entry Only System

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**SAMPLE OFFICIAL STATEMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC -- bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$400 million, one certificate will be issued with respect to each \$400 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the financing documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities. Under its usual procedures, DTC mails an Omnibus Proxy to Participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Participant or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Participant, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividends to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Participant or Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Participant or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Participant may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Participant believes to be reliable, but Participant takes no responsibility for the accuracy thereof.

Appendix D

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Idaho Bond Bank Authority (the "Issuer") and U.S. Bank National Association, Corporate Trust Department (the "Dissemination Agent") in connection with the issuance of \$11,070,000 Revenue Bonds, Series 2004A (the "Series 2004A Bonds"). The Series 2004A Bonds are being issued pursuant to a Master Trust Agreement dated as of December 1, 2004 (the "Master Trust Agreement") and a First Supplemental Trust Agreement dated as of December 1, 2004 between the Issuer and U.S. Bank National Association as trustee (collectively with the Master Trust Agreements, the "Trust Agreement"). Under the Loan Agreements between the Authority and each Participant, annual reports are required to be furnished to the Dissemination Agent for dissemination as provided therein. The Issuer covenants and agrees with the Dissemination Agent as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2004A Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any Series 2004A Bonds (including persons holding Series 2004A Bonds through nominees, depositories or other intermediaries).

"Disclosure Representative" shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" shall mean U.S. Bank National Association, Corporate Trust Department, which also acts as Trustee for the Series 2004A Bonds or any successor Dissemination Agent designated in writing by the Issuer and which has filed with U.S. Bank National Association, acting in its capacity as Trustee for the Series 2004A Bonds ("Trustee") a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Official Statement" means the Official Statement for the Series 2004A Bonds dated November 15, 2004.

"Owner" shall mean the registered owner or holder of the Series 2004A Bonds as designated in the registration books and records of the Issuer kept and maintained by the Bond Registrar.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2004A Bonds required to comply with the Rule in connection with offering of the Series 2004A Bonds.

"Repository" shall mean the National Repository and the State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity then designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no such repository so designated for the State of Idaho.

"Trustee" means U.S. Bank National Association as Trustee for the Series 2004A Bonds.

SECTION 3. Provision of Annual Reports.

- (a) The Issuer shall, or shall cause the Dissemination Agent to, not later than six months after the end of the Issuer's Fiscal Year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2005, provide to each Repository, if any, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement which may be through the Disclosure USA filing procedures of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).
- (b) Not later than 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee for the Series 2004A Bonds. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is unable to provide the Annual Report in compliance with the first sentence of this subsection (b).
- (c) If the Dissemination Agent has not received the Annual Report or is unable by the date specified in Section 3(b) to verify that an Annual Report has been provided to the Repository (if any then exists) by the date required in subsection (a) the Dissemination Agent shall send a notice to the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form as Exhibit "A" attached.
- (d) The Dissemination Agent (currently the Trustee) shall:
- (i) determine each year prior to the date for providing the Annual Report the name and address of the Municipal Securities Rulemaking Board and any Repository and file the Annual report as provided in Sections 3(a); and
 - (ii) file a report with the Issuer and the Trustee (in the event the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided or confirming filing through Disclosure USA; and
 - (iii) file the annual report, notices of material listed events and other information received from the Municipalities pursuant to Section 5.9 of the Loan Agreement and perform all obligations set forth for the Trustee and/or dissemination agent under said Section 5.9. The Trustee shall continue to perform all of the obligations of the dissemination agent and Trustee under Section 5.9 of the Loan Agreement regardless of whether the Trustee continues as Dissemination Agent under this Disclosure Agreement.
- (e) Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

1. The financial statements for the Issuer for the most recently ended Fiscal Year, provided that since the Series 2004A Bonds are the first obligations issued by the Issuer and Issuer has had no prior financial activity, its first financial statements will be for its Fiscal Year ending June 30, 2005. Such financial statements will be prepared, in substantial conformance with generally accepted accounting principles applicable to governmental entities in the form required by the State of Idaho. The Issuer will also provide annual information for the State sales tax account as set forth in the tables under the heading "Security for the Series 2004A Bonds -- State Sales Tax Account" of the Official Statement.
2. The balance then remaining as of the end of the most recent Fiscal Year of the Issuer for the Surplus Fund and the Revenue Fund.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2004A Bonds, if material:

1. principal and interest payment delinquencies.
2. non-payment related defaults.
3. modifications to rights of Bond Owners.
4. optional, contingent or unscheduled bond calls.
5. defeasances.
6. rating changes.
7. adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2004A Bonds.
8. unscheduled draws on debt service reserves reflecting financial difficulties.
9. unscheduled draws on credit enhancements reflecting financial difficulties.
10. substitution of credit or liquidity providers, or their failure to perform.
11. release, substitution, or sale of property securing repayment of the Series 2004A Bonds.

(b) The Dissemination Agent shall, within 1 Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b) the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and any National Repository and State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2004A Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2004A Bonds. If such termination occurs prior to the final maturity of the Series 2004A Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. If the Issuer is not the Dissemination Agent, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment reasonably requested by the Issuer), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2004A Bonds, or the type of business conducted;
- (b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2004A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the Owners of the Series 2004A Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2004A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, the Trustee for the Series 2004A Bonds may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Series 2004A Bonds, shall), or any Owner or Beneficial Owner of the Series 2004A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2004A Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer:

Idaho Bond Bank Authority
Office of the State Treasurer
Room 102 Statehouse
P.O. Box 83720
Boise, Idaho 83720-0091
Attn: Executive Director
(208) 332-2997
FAX (208)332-2961

To the Trustee/
Dissemination Agent:

U.S. Bank National Association
Corporate Trust Assurance Department
15 West South Temple, Ste. 200
Salt Lake City, UT 84101
Telephone: (801) 331-1202
Fax: (801) 534-6208

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2004A Bonds, and shall create no rights in any other person or entity.

SECTION 14. Fees. The Dissemination Agent shall be paid \$_____ per year for its services as Dissemination Agent under this Disclosure Agreement and \$_____ per year for its services under Section 5.9 of the Loan Agreement.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2004.

IDAHO BOND BANK AUTHORITY ,
as Issuer

By _____

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By: _____
Authorized Officer

EXHIBIT "A"

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Idaho Bond Bank Authority

Name of Bond Issue: Revenue Bonds, Series 2004A

Date of Issuance: December 1, 2004

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Series 2004A Bonds as required by the Master Trust Agreement dated as of December 1, 2004 and the First Supplemental Trust Agreement dated as of December 1, 2004. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

U.S. Bank National Association
as Dissemination Agent
On behalf of the Issuer

c: Issuer

EXHIBIT "B"

An updated list of Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission may be found at the following internet address:
<http://www.sec.gov/info/municipal/nrmsir.htm>.

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Appendix E

Summary of Certain Provisions of the Trust Agreement and the Form of Loan Agreement

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT AND THE FORM OF LOAN AGREEMENT

The following summary discussion of selected features of the Master Trust Agreement, the First Supplemental Trust Agreement (together, the “Trust Agreement”) and the form of Loan Agreement are made subject to all of the provisions of such documents and to the discussion of such documents contained elsewhere in this Official Statement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Bonds are referred to the complete text of the Trust Agreement and the Local Agency Loan Agreements, copies of which are available upon request from U.S. Bank National Association, Corporate Trust Services, 15 West South Temple, Suite 200, Mailstation PD-UT-GT2, Salt Lake City, Utah 84101. Definitions of certain terms are provided in Appendix A of this Official Statement.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

Issuance of Bonds

General Provisions for Issuance of Additional Bonds

All (but not less than all) of the Bonds of each Series shall be executed by the Authority for issuance under the Trust Agreement and delivered to the Trustee and thereupon shall be authenticated by the Trustee and by it delivered to the Authority or upon its order, but with the exception of the 2004A Bonds, only upon the receipt by the Trustee of the following items (upon which the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Bonds have been satisfied):

(a) An executed copy of the Trust Agreement as originally executed and certified to be in full force and effect;

(b) An opinion of Bond Counsel to the effect that (i) the Trust Agreement constitutes the valid obligation of the Authority; and (ii) the Bonds of such Series constitute the valid and binding special, limited obligations of the Authority, payable solely from the Trust Estate and any other additional source of funds not included in the Trust Estate if so provided in the Trust Agreement or any Supplemental Trust Agreement;

(c) A written order of the Authority as to the delivery of such Bonds;

(d) An executed copy of the Supplemental Trust Agreement authorizing such Bonds, which shall, among other provisions, specify:

(i) the authorized Principal Amount of the Current Interest Bonds of such Series and the aggregate Initial Amounts for the Capital Appreciation Bonds of each maturity for such Series, and the Series designation of such Bonds;

(ii) the purpose or purposes for which such Series of Bonds is being issued, which shall be (1) to provide moneys needed to purchase Municipal Bonds, by depositing into the Municipal Bond Purchase Fund the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding pursuant to the provisions of the Trust Agreement concerning Refunding Bonds, or (3) to provide moneys needed to refund all or

part of any other Funded Debt, by depositing with the Trustee funds in the necessary amount to pay or otherwise discharge all liability of Authority with respect to such Funded Debt in accordance with the terms thereof;

(iii) the date, and the maturity date or dates, of the Bonds of such Series;

(iv) the interest rate or rates on the Current Interest Bonds of such Series, and the Interest Payment Dates therefor;

(v) the dates of compounding interest on the Capital Appreciation Bonds of such Series, together with an Accreted Value Table for such Capital Appreciation Bonds indicating the Initial Amount for the smallest Authorized Denomination for such Capital Appreciation Bonds, the Accreted Value thereof on each date for compounding interest, and the Final Compounded Amount thereof (which Accreted Value Table shall establish the Accreted Value of such Capital Appreciation Bonds for each of the dates indicated in such Accreted Value Table for all purposes of the Trust Agreement, including the payment of such Capital Appreciation Bonds and the Accreted Value thereof on each compounding date for purposes of determining the Accreted Value thereof between such compounding dates, and the Accreted Value of such Capital Appreciation Bonds for any date not indicated on such Accreted Value Table shall be determined by computing and compounding interest in accordance with the Supplemental Trust Agreement authorizing such Capital Appreciation Bonds);

(vi) Authorized Denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

(vii) the Redemption Price or Prices, if any, and the redemption terms for the Bonds of such Series;

(viii) the Sinking Fund Installments, if any, for the Bonds of such Series, provided that each Sinking Fund Installment, if any, shall fall upon an Interest Payment Date for such Bonds;

(ix) whether the Bonds of such Series are to be registered in the name of a Securities Depository, or its nominee, and any provisions appropriate or necessary with respect to the arrangements made with the Securities Depository for such Bonds in the applicable Representation Letter;

(x) the application of the proceeds of the sale of such Bonds including the amount, if any, to be deposited in the Funds and Accounts; and

(xi) the forms of the Bonds of such Series and of the Trustee's certificate of authentication thereon;

(e) A certificate of an Authorized Representative stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority; provided, however, that in the case of Refunding Bonds such certificate may state that upon the application of the proceeds of such Refunding Bonds in accordance with the Supplemental Trust Agreement authorizing their issuance, the Authority shall not be in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the Authority;

(f) A Certificate of the Authority stating that the amount of State Sales Tax Moneys collected by the State during the most recent Fiscal Year for which audited financial statements are available is at least equal to 300% of the Aggregate Debt Service for the Sales Tax Secured Debt (including the Additional Bonds) for the Fiscal Year next succeeding the Fiscal Year in which Additional Bonds are issued; and

(g) With respect to any Series of Refunding Bonds and in lieu of satisfying the requirements of clause (f), a certificate of an Authorized Representative to the effect that the principal and interest payable on all Outstanding Bonds in each Fiscal Year after the issuance of such Refunding Bonds, and the application of the proceeds thereof to the refunding of Bonds, shall not be greater than the principal and interest payable on all Outstanding Bonds immediately prior to the issuance of such Refunding Bonds.

(h) In the case of a Series of Bonds issued for the purposes described in the provisions of the Trust Agreement concerning Issuance of Bonds, written evidence that all actions and conditions required precedent to the discharge of the Funded Debt to be refunded have been taken or exist in accordance with the terms of such Funded Debt.

Refunding Bonds

One or more Series of Refunding Bonds may be issued, authenticated and delivered upon original issuance to refund all Outstanding Bonds of one or more Series or all or any Outstanding Bonds within a Series. Refunding Bonds shall be issued in a Principal Amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the Costs of Issuance of such Refunding Bonds and the making of any deposits into the Funds and Accounts required by the provisions of the Supplemental Trust Agreement authorizing such Series of Refunding Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds) of the following items (upon which receipt the Trustee may conclusively rely in determining whether the conditions precedent for the issuance and authentication of such Series of Refunding Bonds have been satisfied):

(i) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the refunded Bonds to be redeemed prior to maturity;

(ii) Irrevocable instructions to the Trustee, satisfactory to it, to give the notice provided for in the provisions of the Trust Agreement concerning Discharge of Bonds to the Owners of the Bonds being refunded, if applicable; and

(iii) Either (i) sufficient moneys, or (ii) Government Securities in such principal amounts, of such maturities, bearing interest at such rate or rates, and otherwise having such terms and qualifications so that the principal, interest and other payments to be made thereunder shall provide sufficient moneys, or (iii) a combination of (i) and (ii) shall provide sufficient moneys, in each case, as evidenced by a Certificate of an Independent Certified Public Account, to effect payment at the applicable Redemption Price of the refunded Bonds to be redeemed, the purchase price of refunded Bonds tendered for purchase, and of the Principal Amount of refunded Bonds not to be redeemed or purchased, together with accrued interest on such Current Interest Bonds to the redemption, purchase, or maturity date or dates, as the case may be, which moneys

and Government Securities shall be held by the Trustee in a separate account irrevocably in trust for the respective Owners of the Bonds to be refunded.

Subordinated Indebtedness

The Authority may, at any time or from time to time, issue Subordinated Indebtedness for any purpose of the Authority, subject to the terms and conditions of this section of the Trust Agreement. Such Subordinated Indebtedness may be payable out of and may be secured by a pledge of Revenues and such amounts in the Subordinated Indebtedness Fund as may from time to time be available therefor, provided that any such payment and pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the payment of the Bonds and the payments required to be made before the payments into the Subordinated Indebtedness Fund pursuant to the provisions of the Trust agreement concerning Subordinated Indebtedness Fund and to the lien of the pledge made pursuant to this Trust Agreement as security for the Bonds, and provided further that, except in the case of Subordinated Indebtedness the proceeds of which will be used to refund or pay Outstanding Bonds or Subordinated Indebtedness, no such Subordinated Indebtedness may be so issued except upon receipt by the Trustee of a certificate of an Authorized Representative stating that the Authority is not, and will not as the result of the issuance of such Subordinated Indebtedness be, in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement.

The Subordinated Indebtedness Trust Agreement authorizing each issue of Subordinated Indebtedness shall contain provisions (which shall be binding on all holders of such Subordinated Indebtedness) not more favorable to the holders of such Subordinated Indebtedness than the following:

(i) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization or other similar proceedings in connection therewith, relative to the Authority or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Authority, whether or not involving insolvency or bankruptcy, the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest due on such Bonds in accordance with the provisions of the Trust Agreement before the holders of the Subordinated Indebtedness are entitled to receive any payment from the Subordinated Indebtedness Fund on account of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(ii) In the event that any issue of Subordinated Indebtedness is declared due and payable before its expressed maturity because of the occurrence of an event of default (under circumstances when the provisions of (i) above shall not be applicable), the Owners of all Bonds Outstanding at the time such Subordinated Indebtedness so becomes due and payable because of the occurrence of such an event of default shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds before the holders of the Subordinated Indebtedness are entitled to receive any accelerated payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(iii) If any Event of Default with respect to the Bonds shall have occurred and be continuing (under circumstances when the provisions of (i) above shall not be applicable), the Owners of all Bonds then Outstanding shall be entitled to receive payment in full of the entire Principal Amount or Redemption Price of and all interest on all such Bonds as the same become due and payable before the holders of the Subordinated Indebtedness are entitled to receive,

subject to the provisions of (v) below, any payment from the Subordinated Indebtedness Fund of principal (and premium, if any) or interest upon the Subordinated Indebtedness.

(iv) Neither the Trustee nor any Owner shall be prejudiced in its right to enforce the subordination of the payment of Subordinated Indebtedness from the moneys in the Subordinated Indebtedness Fund by any act or failure to act on the part of the Authority.

(v) The Subordinated Indebtedness may provide that provisions (i), (ii), (iii) and (iv) above are solely for the purpose of defining the relative rights of the Owners of the Bonds on the one hand, and the rights of the holders of Subordinated Indebtedness on the other hand, and that nothing therein shall impair, as between the Authority and the holders of the Subordinated Indebtedness, the obligation of the Authority to pay the holders thereof the principal thereof and premium, if any, and interest thereon in accordance with the terms of such Subordinated Indebtedness, nor shall anything therein prevent the holders of the Subordinated Indebtedness from exercising all remedies otherwise permitted by applicable law or under the Subordinated Indebtedness or the applicable Subordinated Indebtedness Trust Agreement upon default thereunder, subject to the rights under (i), (ii), (iii) and (iv) above of the Owners of the Bonds to receive cash or securities from the Subordinated Indebtedness Fund otherwise payable or deliverable to the holders of the Subordinated Indebtedness; and the Subordinated Indebtedness may provide that, insofar as a trustee or paying agent for such Subordinated Indebtedness is concerned, the foregoing provisions shall not prevent the application by such trustee or paying agent of any moneys deposited with such trustee or paying agent for the purpose of the payment of or on account of the principal (and premium, if any) and interest on such Subordinated Indebtedness if such trustee or paying agent did not have knowledge at the time of such application that such payment was prohibited by the foregoing provisions.

Any issue of Subordinated Indebtedness may have such rank or priority with respect to any other issue of Subordinated Indebtedness as may be provided in the Subordinated Indebtedness Trust Agreement securing such issue of Subordinated Indebtedness and may contain such other provisions as are not in conflict with the provisions of the Trust Agreement.

The Trustee shall not be deemed to owe any fiduciary duty to the holders of Subordinated Indebtedness and shall not be liable to such holders if it shall mistakenly pay over or transfer to Owners of Bonds, the Authority, or any other person, moneys to which any holder of Subordinated Indebtedness shall be entitled by virtue of this section of the Trust Agreement or otherwise, provided, however, that the Trustee shall not be relieved from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct. The Trustee shall not be deemed to have knowledge of the terms and conditions of any Subordinated Indebtedness Trust Agreement and may conclusively rely on written directions and requests signed by an Authorized Representative in making any deposit to or transfer from the Subordinated Indebtedness Fund. Notwithstanding any of the provisions of this section of the Trust Agreement or any other provision of the Trust Agreement, the Trustee shall not at any time be charged with the knowledge of the existence of any facts which would prohibit the making of any payment of moneys in respect of Subordinated Indebtedness or any default in the payment of the principal, premium, if any, or interest on any Subordinated Indebtedness, unless and until the Trustee shall have received written notice thereof at its principal corporate trust office from the Authority, or, so long as any Bonds remain Outstanding, from the holders of at least ten percent (10%) in principal amount of any class or category of any Subordinated Indebtedness or any trustee therefor.

Redemption of Bonds

Terms of Redemption

Each Series of Bonds may be made subject to mandatory or optional redemption prior to their respective stated maturities, as a whole or in part, at such time or times, upon such terms and conditions and upon such notice and with such effect as may be provided in the Supplemental Trust Agreement creating such Series of Bonds.

Selection of Bonds for Redemption

If less than all Outstanding Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds of such maturity date to be redeemed by lot and shall promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption. For purposes of such selection, Bonds shall be deemed to be composed of multiples of minimum Authorized Denominations and any such multiple may be separately redeemed. In the event Term Bonds are designated for redemption, the Authority may designate which sinking account payments are allocated to such redemption.

Notice of Redemption; Cancellation; Effect of Redemption

Unless otherwise specified in a Supplemental Trust Agreement, notice of redemption shall be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to (i) the respective Bond Owners of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by registered mail or overnight delivery or facsimile transmission or by such other method acceptable to such institutions. Each notice of redemption shall state the date of such notice, the date of issue of the Bonds, the Series, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price thereof, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice or any defect in such notice shall not invalidate any of the proceedings taken in connection with such redemption.

The Authority may, at its option, prior to the date fixed for redemption in any notice of redemption rescind and cancel such notice of redemption by Written Request to the Trustee and the Trustee shall mail notice of such cancellation to the recipients of the notice of redemption being cancelled.

If notice of redemption has been duly given as aforesaid or as otherwise specified in a Supplemental Trust Agreement, and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Bond Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of the Trust Agreement concerning Redemption of Bonds shall be cancelled by the Trustee and shall be destroyed with a certificate of destruction furnished to the Authority upon its request and shall not be reissued.

Establishment of Funds and Application Thereof

Fund and Accounts

The following Funds and Accounts are established under the Trust Agreement: Municipal Bond Purchase Fund, held by the Trustee, Costs of Issuance Fund, held by the Trustee, Revenue Fund including the Principal Account and Interest Account, held by the Trustee, Subordinated Indebtedness Fund, held by the Trustee, and Surplus Fund, held by the Authority.

Application of Revenues; Flow of Funds

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund created pursuant to the provision of the Trust Agreement concerning Tax Covenants and Rebate Fund) are thereby irrevocably pledged to the payment of the interest on and principal of the Bonds as provided therein, and the Revenues and other amounts pledged under the Trust Agreement shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied such sums for such purposes as are permitted thereunder. This pledge shall constitute a pledge of and charge and lien upon the Revenues, which pledge of and charge and lien upon the Revenues is on a parity with any pledge of and charge and lien of Funded Debt, and all other moneys on deposit in the funds and accounts established thereunder (excluding amounts on deposit in the Rebate Fund created pursuant to the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund) for the payment of the interest on and principal of the Bonds in accordance with the terms thereof and of the Trust Agreement. The pledge of and charge and lien upon State Sales Tax Revenues, however, shall be subordinate to the bonds outstanding on the effective date of the Act secured by State Sales Tax Moneys and tax anticipation notes currently outstanding or subsequently issued pursuant to Section 63-3202, Idaho Code.

The Authority thereby assigns to the Trustee all of the Authority's right, title and interest in the Municipal Bonds as security for payment of the Bonds. All payments on the Municipal Bonds shall be paid directly by each Municipality to the Trustee. Moneys received by the Trustee attributable to a Municipality shall not be used in any manner (directly or indirectly) to make up any deficiency in repayment of any other Municipality's Municipal Bond.

In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Authority agrees and covenants that all Revenues and all other amounts pledged thereunder when and as received shall be received by the Authority in trust thereunder for the benefit of the Bond Owners and shall be transferred when and as received by the Authority to the Trustee for deposit in the Revenue Fund, which fund is thereby created and which fund the Authority thereby agrees and covenants to maintain in trust for Bond Owners so long as any Bonds shall be Outstanding thereunder, subject to allocation required in the next sentence. The Authority shall also, from Revenues, pay to the party entitled thereto or transfer or cause to be transferred to any applicable debt service or other payment fund or account for any Funded Debt, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, on the dates specified in the issuing instrument relating to such Funded Debt, the sum or sums required to be paid or deposited in such debt service or other payment fund or account with respect to principal, premium, if any, and interest on Funded Debt in accordance with the terms of such Funded Debt.

Subject to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, all Revenues and all other amounts pledged thereunder shall be accounted for through and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as therein provided. All Revenues and all other amounts pledged under the Trust Agreement, whether received by the Authority in trust or deposited with the Trustee as therein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses thereafter in the provisions of the Trust Agreement concerning Establishment of Funds and Application thereof set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Within the Revenue Fund there shall be established separate, segregated accounts for each Series of Bonds.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts or funds within the Revenue Fund (each of which is thereby created and each of which the Authority thereby covenants and agrees to cause to be maintained) in the following order of priority:

- (1) Interest Account, and
- (2) Principal Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof.

Interest Account. At least fifteen (15) days before each Interest Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account that amount of money sufficient to pay the amount of interest becoming due and payable on all Outstanding Bonds on the next succeeding Interest Payment Date.

No deposit need be made in the Interest Account if the amount contained therein and available to pay interest on the Bonds is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

Principal Account. At least fifteen (15) days before each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money equal to the amount of all sinking fund payments required to be made on such Principal Payment Date, into the respective sinking fund accounts for all Outstanding Term Bonds and the principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Date.

No deposit need be made in the Principal Account if the amount contained therein and available to pay principal of the Bonds is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Date plus the aggregate

amount of all sinking fund payments required to be made on such Principal Payment Date for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each maturity, designated as the “____ Sinking Account” (the “Sinking Account”), inserting therein the maturity (if more than one such account is established for the Bonds) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in the provisions of the Trust Agreement concerning Redemption of Bonds; provided that, at any time prior to selection of Bonds for redemption, the Trustee may, upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such mandatory sinking account payment. If, during the twelve (12)-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable, whether at maturity or redemption, except that any money in any Sinking Account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such Sinking Account was created.

The Trustee shall withdraw from the Revenue Fund and deposit in the Subordinated Indebtedness Fund the amount, if any, required to be deposited therein pursuant to each Subordinated Indebtedness Trust Agreement to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness which will accrue to the end of such month, and any amounts required to replenish any reserve fund with respect to such Subordinated Indebtedness, in such amounts as shall be specified in a written request signed by an Authorized Representative.

On June 30 of each year, after making the deposits to the Principal Account and the Subordinate Indebtedness Fund as required by this section of the Trust Agreement, the Trustee may withdraw from the Revenue Fund and deposit in the Surplus Fund the balance, if any, of moneys remaining in the Revenue Fund.

Subordinated Indebtedness Fund

Amounts in the Subordinated Indebtedness Fund shall, in accordance with written directions signed by an Authorized Representative, be transferred by the Trustee to the trustee or paying agent for Subordinated Indebtedness to be applied as provided in the applicable Subordinated Indebtedness Trust Agreements in amounts necessary to pay the principal, redemption price, and purchase price of, and interest on, Subordinated Indebtedness, and the fees and expenses of each trustee and paying agent under a Subordinated Indebtedness Trust Agreement. The Trustee may conclusively rely on such written directions of an Authorized Representative in making such transfer and shall not be charged with knowledge of the terms and conditions of any Subordinated Indebtedness.

If on any date the amount in the Revenue Fund shall be less than the requirement of such Revenue Fund pursuant to the provisions of the Trust Agreement concerning the Establishment of Funds and Application thereof, and there shall not be on deposit in the Surplus Fund available moneys sufficient to cure any such deficiency, then the Trustee, before making any transfers required by the first paragraph of this section of the Trust Agreement, shall withdraw from the Subordinated Indebtedness Fund and deposit in the Revenue Fund the amount necessary (or all the moneys in the Subordinated Indebtedness Fund, if less than the amount required) to make up any such deficiency.

Surplus Fund

If on any date the amount in the Revenue Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in Revenue Fund, or the amount in the Subordinated Indebtedness Fund shall be less than the requirement of such Fund pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness Fund, then the Authority shall transfer to the Trustee from the Surplus Fund; first to the Revenue Fund, second to the Subordinated Indebtedness Fund, and third to the Rebate Fund, as the case may be, the amount necessary (or all the moneys in the Surplus Fund if less than the amount necessary) to make up any such deficiency.

Amounts in the Surplus Fund not required to meet a deficiency as required in the first paragraph of this section of the Trust Agreement shall, upon a determination of the Authority, be applied to or set aside for any one or more of the following:

- (i) to reimburse the State for any State Sales Tax Revenues;
- (ii) payment of any fees or expenses of the Authority;
- (iii) the purchase or redemption of any Bonds, expenses in connection with the purchase or redemption of any Bonds, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with the Bonds;
- (iv) payment into the Subordinated Indebtedness Fund;
- (v) the purchase or redemption of any Subordinated Indebtedness, expenses in connection with the purchase or redemption of any Subordinated Indebtedness, or the establishment or augmentation of any reserves which the Authority determines shall be required in connection with any Subordinated Indebtedness; and
- (vi) any lawful purpose free and clear of any trust, lien, pledge or assignment securing Bonds or otherwise existing under the Trust Agreement, including any use required by a financing document establishing a Parity Lien, so long as such expenditure does not affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code.

Additional Accounts

The Trustee and the Paying Agent may create such other funds, accounts and subaccounts as they may deem necessary to carry out their duties under the Trust Agreement.

State Intercept Procedures; Sales Tax Account Pledge

State Intercept Procedures

If, as a result of the failure of a Municipality to make payment on its Municipal Bonds in a timely manner, there are not sufficient funds available necessary to pay debt service on the Bonds, at least ten (10) days before the Payment Date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) Telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

Upon receipt of the notice provided in the first paragraph above, the State Treasurer is required by Section 67-8727(1)(e) of the Act to immediately intercept any payments from: (i) the receipts of any payment of property taxes; or (ii) sales tax moneys that would be distributed pursuant to Section 63-3638, Idaho Code; or (iii) any other source of operating moneys provided by the State to the Municipality that issued the Municipal Bonds that would otherwise be paid to the Municipality by the State.

In the event the State Treasurer will be unable to transfer sufficient intercepted payments for full payment of principal of and interest on the Bonds, the State Treasurer is required, pursuant to Section 67-8727(1)(e)(ii)(A) of the Act, to give notice to the State Tax Commission certifying the amount of the deficiency, at least five (5) days prior to the Payment Date of the Bonds.

Upon receipt of the funds from the State Treasurer pursuant to the second paragraph above, the Trustee shall deposit the funds in the Revenue Fund for the Bonds until there are sufficient amounts on deposit to pay principal of and interest on the Bonds on the Payment Date, and then to the State for reimbursement of any moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, to pay debt service on the Bonds on the Payment Date, together with any interest or penalties established pursuant to Section 67-8725, Idaho Code.

Sales Tax Account

If moneys expected to be intercepted pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures are expected to be insufficient to reimburse the State for its payments in respect of the Municipal Bonds, the State Treasurer shall certify to and give notice to the State Tax Commission of the amount of the deficiency pursuant to the provisions of the Trust Agreement concerning State Intercept Procedures.

After receipt of the certified notice from the State Treasurer, the State Tax Commission shall pursuant to the Act: (i) Immediately fix the amount necessary and in the amount of the deficiency stated in the notice; and (ii) Cause moneys to be transferred from the State Sales Tax Account pursuant to Section 63-3638, Idaho Code, and deposited in the Bond Bank Authority Fund; provided however, that in no event shall a transfer of moneys from the State Sales Tax Account impede or otherwise affect the payment of sales tax moneys pledged for the payment on other bonds outstanding on the effective date of the Act or subsequently issued as tax anticipation notes pursuant to Section 63-3202, Idaho Code.

Moneys transferred from the State Sales Tax Account to the Bond Bank Authority Fund shall be transferred by the Authority to the Trustee and deposited in the Revenue Fund and applied to pay principal of and interest on the Bonds pursuant to the provisions of the Trust Agreement concerning the Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund.

Covenants of the Authority

Punctual Payment and Performance

The Authority will punctually pay out of the Revenues the interest on and principal of and redemption premiums, if any, to become due on every Bond issued under the Trust Agreement in strict conformity with the terms thereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained therein and in the Bonds.

Against Encumbrances

The Authority will not make any pledge or assignment of or place any charge or lien upon the Revenues except as provided in the provisions of the Trust Agreement concerning Issuance of Bonds and Permitted Encumbrances therein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except as provided therein.

Tax Covenants; Rebate Fund

In addition to the funds and accounts created pursuant to the provisions of the Trust Agreement concerning Funds and Accounts, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained thereunder designated as the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the United States of America. Notwithstanding the provisions of the Trust Agreement concerning Application of Revenues and Flow of Funds relating to the pledge of Revenues, the allocation of money in the Revenue Fund, the investments of money in any fund or account and the defeasance of Outstanding Bonds, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this section of the Trust Agreement and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate.

Any funds remaining in the Rebate Fund with respect to a Series of Bonds after redemption and payment of all such Series of Bonds and all other amounts due under the Trust Agreement relating to such Series of Bonds, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses of the Trustee and satisfaction of the Rebate Requirement (as defined in the Tax Certificate), shall be withdrawn by the Trustee and remitted to or upon the direction of the Authority.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any of the Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Code, “private activity bond” within the meaning of Section 141(a) of the Code, or “federally guaranteed” within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(c) of the Internal Revenue Code of 1954, as amended. The Authority shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The Authority shall comply with all requirements of Sections 148 and 149(b) of the Code to the extent applicable to the

Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section of the Trust Agreement it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Authority shall so instruct the Trustee under the Trust Agreement in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority and the Trustee (as directed by the Authority) specifically covenant to comply with the provisions and procedures of the Tax Certificate; provided that the Trustee shall not be bound by this covenant if an Event of Default has occurred and is continuing.

The Authority shall not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Notwithstanding any provisions of this section of the Trust Agreement, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this section of the Trust Agreement or the Tax Certificate is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Trust Agreement, and, notwithstanding the provisions of the Trust Agreement concerning the Trustee, the covenants under the Trust Agreement shall be deemed to be modified to that extent.

The foregoing provisions of this section of the Trust Agreement shall not be applicable to any Series of Bonds or the proceeds thereof that the Authority determines upon the issuance thereof are to be taxable bonds, the interest on which is intended to be included in the gross income of the Owner thereof for federal income tax purposes.

Accounting Records and Reports

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than nine months after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Authority shall also keep or cause to be kept such other information as required under the Tax Certificate.

Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Bond Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any reasonable attorney's fees or other reasonable expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Trust Agreement, except for any loss, cost, damage or expense resulting from the negligence or willful misconduct by the Trustee. Notwithstanding

any contrary provision of the Trust Agreement, this covenant shall remain in full force and effect even though all Bonds secured thereby may have been fully paid and satisfied.

Further Assurances

Whenever and so often as reasonably requested to do so by the Trustee or any Bond Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Bond Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

Covenants Regarding Municipal Bonds

Each Municipal Bond shall contain the following provisions:

(a) In the event the Municipality is unable to transfer the scheduled debt service payment on its Municipal Bond to the Trustee the Municipality shall, at least fifteen (15) days before the scheduled payment date, notify the Trustee and the State Treasurer of such non-payment by telephone, a writing sent by facsimile transmission, and a writing sent by first-class United States mail.

(b) The Municipality shall consent and agree to the State interpret procedures contained in Section 67-8727, Idaho Code.

Amendments to Municipal Bonds

The Authority shall not supplement, amend, modify or terminate any of the terms of the Municipal Bonds, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if such supplement, amendment, modification or termination (a) will not materially adversely affect the interests of the Bond Owners or result in any material impairment of the security thereby given for the payment of the Bonds, (b) is to add to the agreements, conditions, covenants and terms required to be observed or performed thereunder by any party thereto, or to surrender any right or power therein reserved to the Authority, (c) is to cure, correct or supplement any ambiguous or defective provision contained therein, or (d) if the Trustee first obtains the written consent of the Bond Owners of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of payments to be made to the Authority or the Trustee by the Municipalities pursuant to the Municipal Bonds, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the Municipal Bonds in each case without the written consent of all of the Bond Owners of the Bonds then Outstanding. The Trustee may consult with counsel, who may be counsel to the Authority, with regard to legal questions regarding such amendments and may rely on a written opinion of such counsel in making the determination pursuant to this section of the Trust Agreement.

State Pledges

Pursuant to Section 67-8724 of the Idaho Code, the State pledges and agrees with the Owners of the Bonds that it will not limit or alter the rights vested in the Authority by the Act to fulfill the terms of any agreements made with such Owners, or in any way impair the security, rights and remedies of the Owners of the Bonds until the Bonds, together with the interest thereon, are fully paid and

discharged. The State pledges to and agrees with the Owners of the Bonds that the State will not alter, impair or limit the rights vested by the sales tax account pledge provided in Sections 67-8716 and 63-3638, Idaho Code, with respect to the Bonds until the Bonds, together with applicable interest, are fully paid and discharged.

Compliance with Continuing Disclosure Agreement

The Authority thereby covenants that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Trust Agreement, failure of the Authority to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Bond Owners of at least 25% aggregate principal amount in Outstanding Bonds, and upon receipt of indemnification satisfactory to it, shall) or any Bond Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this section of the Trust Agreement. For purposes of this section of the Trust Agreement, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

Permitted Encumbrances

The Authority will not create or suffer to be created any pledge, lien or charge senior to the lien of the Trust Agreement upon all or any part of the Revenues.

Notwithstanding any other provision of the Trust Agreement, the Authority may incur Funded Debt, subject to the following conditions:

- (i) The Authority shall be in full compliance with all covenants and undertakings set forth in the Trust Agreement or any Supplemental Trust Agreement; and
- (ii) There shall be delivered a Certificate of the Authority evidencing satisfaction of the provisions of the Trust Agreement concerning General Provisions for Issuance of Additional Bonds.

The Authority may issue Subordinated Indebtedness pursuant to the provisions of the Trust Agreement concerning Subordinated Indebtedness.

Events of Default and Remedies of Bond Owners

Events of Default

The following events shall be Events of Default:

- (a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;
- (b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Authority in the performance of any of the other agreements or covenants required in the Trust Agreement to be performed by the Authority, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee; *provided*, it shall not constitute an Event of Default under this subsection of the Trust Agreement if the default cannot practicably be remedied within thirty (30) days after the Authority receives notice of the default, so long as the Authority promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied; or

(d) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

The Trustee shall promptly notify all Bondholders by first class mail of any such event of default which is continuing of which a Responsible Officer has actual knowledge or written notice.

Institution of Legal Proceedings by Trustee

If one or more of the Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Bond Owners of a majority in principal amount of the Bonds then Outstanding, and in each case upon being indemnified to its reasonable satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Bond Owners of Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted under Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties thereunder, including but not limited to actions against the State Treasurer and State Tax Commission to enforce its obligations under the Act.

Non-Waiver

Nothing in the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond Owners or in any other provision thereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Bond Owners of the Bonds at the respective dates of maturity or upon prior redemption as provided in the Trust Agreement from the Revenues as provided therein pledged for such payment, or shall affect or impair the right of such Bond Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied therein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owner shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Bond Owner to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bond Owners by the Act or by the provisions of the Trust Agreement concerning Events of Default and Remedies of Bond

Owners may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee and any Bond Owner shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Actions by Trustee as Attorney-in-Fact

Any action, proceeding or suit which any Bond Owner shall have the right to bring to enforce any right or remedy under the Trust Agreement may be brought by the Trustee for the equal benefit and protection of all Bond Owners, whether or not the Trustee is a Bond Owner, and the Trustee is thereby appointed (and the successive Bond Owners, by taking and holding the Bonds issued thereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Bond Owners for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Bond Owners as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Remedies Not Exclusive

No remedy in the Trust Agreement conferred upon or reserved to the Bond Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or thereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Limitation on Bond Owners' Right to Sue

No Bond Owner of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon the Trust Agreement, unless (a) such Bond Owner shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in the provisions of the Trust Agreement concerning Events of Default; (b) the Bond Owners of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Bond Owners shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are thereby declared, in every case, to be conditions precedent to the exercise by any Bond Owner of Bonds of any remedy under the Trust Agreement; it being understood and intended that no one or more Bond Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner therein provided and for the equal benefit of all Bond Owners of the Outstanding Bonds.

Amendment of the Trust Agreement and Loan Agreements

Amendment of the Trust Agreement Without Bond Owner Consent

The Trust Agreement and the rights and obligations of the Authority and of the Bond Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding upon the written direction of the Authority. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bond Owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds except as otherwise provided therein, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, or (4) impair the tax-exempt status of the Bonds, or (5) deprive to any Bond Owner of the lien created by the Trust Agreement. Promptly after the execution by the Authority and the Trustee of any Supplemental Trust Agreement, the Trustee shall mail a notice on behalf of the Authority, setting forth in general terms the substance of such Supplemental Trust Agreement to the Bond Owners at the addresses shown on the registration books maintained by the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Trust Agreement.

The Trust Agreement and the rights and obligations of the Authority and of the Bondholders may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Bondholders, provided an Opinion of Bond Counsel is delivered as set forth in the provisions of the Trust Agreement concerning Required or Permitted Opinions of Counsel, for any purpose that the Authority determines will not materially adversely affect the interests of the Bondholders, including (without limitation) for any one or more of the following purposes—

- (i) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved therein to or conferred therein on the Authority;
- (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Authority may deem desirable or necessary;
- (iii) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in provisions of the Trust Agreement concerning the Issuance of Bonds (which shall be deemed not to adversely affect Bondholders);
- (iv) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939; or
- (v) to add to the agreements and covenants in the Trust Agreement, and to make any necessary changes therein, to include provisions relating to the Idaho Municipal Bond Bank Authority Reserve Fund, created pursuant to Section 67-8713, Idaho Code, in the event moneys are appropriated by the State legislature for the purpose of such fund.

(vi) to preserve the tax-exempt status of the Bonds, or any of them.

(vii) to make any change approved by the Bond Insurer and which does not involve a change described in provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent.

(viii) to conform to the terms and conditions of any financing documents necessary for the issuance of Funded Debt, provided such modification shall not materially adversely affect the interest of the owners of the Bonds, as set forth in a Certificate of Authority filed with the Trustee.

(ix) to modify, alter, amend or supplement the Trust Agreement in any other respect which is not adverse to the Bond Owners and which does not involve a change described in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent.

Amendment of the Trust Agreement With Bond Owner Consent

Except for any Supplemental Trust Agreement entered into pursuant to the provisions of the Trust Agreement concerning Amendment of the Trust Agreement Without Bond Owner Consent, and subject to the terms and provisions contained in the provisions of the Trust Agreement concerning the Amendment of the Trust Agreement and Loan Agreements and not otherwise, the Bond Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right from time to time, with the written consent of the Bond Insurer when a Bond Insurance Policy is in effect covering at least a majority in aggregate principal amount of the then Outstanding Bonds and so long as the Bond Insurer is not in default on the Bond Insurance Policy and an act of bankruptcy with respect to the Bond Insurer shall not have occurred and be continuing (provided that the Bond Insurer shall be under no liability by reason of giving or withholding such consent), to consent to and approve the execution by the Authority and the Trustee of any Supplemental Trust Agreement as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Trust Agreement or in any Supplemental Trust Agreement; provided, however, that nothing in the Trust Agreement contained shall permit, or be construed as permitting, without the consent of each Owner affected, (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Bond Owner of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided in the Trust Agreement superior to or on a parity with the pledge, charge and lien created thereby for the benefit of the Bonds except as otherwise provided therein, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto, or (4) impair the tax-exempt status of the Bonds, or (5) deprive to any Bond Owner of the lien created by the Trust Agreement.

If at any time the Authority and the Trustee shall determine to enter into any Supplemental Trust Agreement for any of the purposes of this section of the Trust Agreement, the Trustee shall cause notice of the proposed Supplemental Trust Agreement to be mailed by registered or certified mail, postage prepaid to the Bond Insurer and the Bond Owners of the Outstanding Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that a copy thereof is on file at the principal office of the Trustee for inspection by all Bond Owners.

After the date of the mailing of such notice, the Authority and the Trustee may enter into such Supplemental Trust Agreement, with the written consent of the Bond Insurer when a Bond Insurance Policy is in effect covering at least a majority in aggregate principal amount of the then Outstanding

Bonds and so long as the Bond Insurer is not in default on the Bond Insurance Policy and an act of bankruptcy with respect to the Bond Insurer shall not have occurred and be continuing (provided that the Bond Insurer shall be under no liability by reason of giving or withholding such consent), in substantially the form described in such notice, only if there shall have first been filed with the Trustee (1) the written consents of Bond Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and (2) the Opinion of Bond Counsel as set forth in the provisions of the Trust Agreement concerning the Amendment of the Trust Agreement and Loan Agreements. Any such consent shall be binding upon the Bond Owners of such Bonds giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor whether or not such subsequent Owner thereof has notice thereof, unless such consent is revoked in writing by the Owner of such Bonds giving such consent or a subsequent Owner thereof by filing such revocation with the Trustee prior to the execution and delivery of such Supplemental Trust Agreement.

If the Bond Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding shall have consented to and approved the execution thereof as provided in the Trust Agreement, no Owner of any Bond shall have any right to object to the execution and delivery of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin and restrain the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Upon the execution any Supplemental Trust Agreement pursuant to the provisions of this section of the Trust Agreement, the Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Trust Agreement of the Authority, the Trustee and all Bond Owners of the Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Trust Agreement, subject in all respects to such modifications and amendments.

Endorsement or Replacement of Bonds After Amendment

Bonds delivered after any Supplemental Trust Agreement becomes effective pursuant to the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to such action, and in that case upon demand of the Bond Owner of any Outstanding Bonds and presentation of his Bond for such purpose at the office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Bond Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the office of the Trustee without cost to each Bond Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment of Loan Agreements

The Authority and the Municipality with which it has executed a Loan Agreement may enter into any amendment, change or modification of such Loan Agreement (a) as may be required by the provisions of such Loan Agreement or the Trust Agreement; (b) for the purpose of curing any ambiguity or formal defect or omission; (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement; (d) to preserve the tax-exempt status of interest on the Bonds, or any of them; (e) to modify, alter, amend or supplement such Loan Agreement in any other respect which is not adverse to the Bond Owners.

Required and Permitted Opinions of Counsel

The Authority and the Trustee shall be provided with and may rely on an Opinion of Bond Counsel to the effect that any Supplemental Trust Agreement entered into by the Authority and the Trustee complies with the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements and an opinion of Bond Counsel that any such Supplemental Trust Agreement does not adversely affect the tax-exempt status of interest on the Bonds. The Authority and the Trustee shall be provided with and may rely upon an Opinion of Bond Counsel to the effect that any proposed amendment, change or modification to a Loan Agreement will comply with the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements and an opinion of Bond Counsel that any such amendment, change or modification does not adversely affect the tax-exempt status of interest on the Bonds. No Supplemental Trust Agreement or amendment, change or modification to a Loan Agreement or the Bonds shall be effective until the Authority and the Trustee shall have received an Opinion of Bond Counsel to the effect that such Supplemental Trust Agreement or such amendment or modification is permitted by the Act and will not adversely affect the tax-exempt status of interest on the Bonds.

Investment of Moneys

Investment of Moneys

The Trustee shall invest and reinvest any moneys held as part of the Revenue Fund upon the written direction of an Authorized Representative in Permitted Investments. Any such investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund for which they were made. The interest accruing thereon, any profit realized from such investments and any loss resulting from such investments shall be credited or charged to such fund. The Trustee shall sell and reduce to cash a sufficient amount of such investments of the Revenue Fund whenever the cash balance in the Revenue Fund is insufficient to pay the principal of and premium, if any, and interest on the Bonds when due. Unless otherwise provided in a Supplemental Trust Agreement, the Trustee may commingle any of the funds or accounts established pursuant to the Trust Agreement into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee hereunder shall be accounted for separately as required by the Trust Agreement. The Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance with the provisions of this section of the Trust Agreement. The Trustee shall be entitled to assume that any investment which at the time of purchase is a Permitted Investment remains a Permitted Investment thereafter, absent receipt of written notice or information to the contrary. The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or any other regulatory entity grant the Authority the right to receive brokerage confirmations of the security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include the detail for all investment transactions made by the Trustee under the Trust Agreement.

Investments; Arbitrage

The Trustee may make any and all investments permitted by the provisions of the Trust Agreement concerning Investment of Moneys through its own bond department. The Trustee may act as principal or agent in the making or disposing of any investments, and may act as sponsor, advisor or manager in connection with any such investments. The provisions of this subsection of the Trust Agreement shall apply to affiliates of the Trustee. As and when any amount invested pursuant to the provisions of the Trust Agreement concerning Investment of Moneys may be needed for disbursement,

the Trustee may cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

Defeasance

Discharge of Bonds

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Bond Owners of all or a portion of the Outstanding Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Trust Agreement and therein, and the Authority shall pay in full all other amounts due thereunder, then the Bond Owners of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided therein, and all agreements, covenants and other obligations of the Authority to the Bond Owners of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds and for the payment of all other amounts due thereunder.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the first paragraph of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the provisions of the Trust Agreement regarding Redemption of Bonds, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Authority Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) an Opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding under the Trust Agreement, and (4) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Bond Owners of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section of the Trust Agreement and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due on the Series 2004A Bonds shall be paid by Ambac Assurance pursuant to the Bond Insurance Policy, the Series 2004A Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and all covenants, agreements and other obligations of the Authority to the Holders of the Series 2004A Bonds shall continue to exist and shall run to the benefit of Ambac Assurance, and Ambac Assurance shall be subrogated to the rights of such Holders.

Unclaimed Money

Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or interest thereon which

remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall at the Written Request of the Authority be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in Boise, Idaho, and in the same or a similar Financial Newspaper of general circulation in New York, New York, a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be deposited in the Surplus Fund for the Authority.

Miscellaneous

Liability of Authority Limited to Revenues

Notwithstanding anything contained in the Trust Agreement, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided in the Trust Agreement for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants in the Trust Agreement contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose.

The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any premiums upon the redemption of any thereof, solely from the Revenues as provided in the Trust Agreement, and the Authority is not obligated to pay them except from the Revenues. All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided therein. The Bonds are not a debt of the State or any of its political subdivisions, and neither the State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided therein. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Benefits of the Trust Agreement Limited to Parties and Third Party Beneficiaries

Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Bond Insurers and the Bond Owners any right, remedy or claim under or by reason thereof. Any agreement or covenant required therein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Authority, the Trustee, the Bond Insurers and the Bond Owners. Ambac Assurance, as issuer of the Bond Insurance Policy for the Series 2004A Bonds, is a third party beneficiary of the Trust Agreement.

Waiver of Personal Liability

No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by

reason of their issuance, but nothing in the Trust Agreement contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or thereby.

Insurance Provisions for Series 2004A Bonds

Consent of Ambac Assurance with respect to the Series 2004A Bonds

(a) Any provision of the Trust Agreement expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner which affects the rights of Ambac Assurance thereunder without the prior written consent of Ambac Assurance, so long as Ambac Assurance is not in default under the Bond Insurance Policy and an act of bankruptcy with respect to Ambac Assurance shall not have occurred and be continuing. Ambac Assurance reserves the right to charge the Authority a fee for any consent or amendment to the Trust Agreement while the Bond Insurance Policy is outstanding.

(b) Unless otherwise provided in this section of the Trust Agreement, Ambac Assurance's consent shall be required in lieu of the consent of the Holders of Series 2004A Bonds, when required, for the following purposes: (1) execution and delivery of any supplemental Trust Agreement, (2) removal of the Trustee and selection and appointment of any successor trustee, and (3) initiation or approval of any action not described in clauses (1) and (2) which requires Holder consent.

(c) In the event of any reorganization or liquidation, Ambac Assurance shall have the right to vote on behalf of all Holders who hold Ambac Assurance-insured Bonds absent a default by Ambac Assurance under the applicable Bond Insurance Policy insuring such Bonds.

(d) Notwithstanding any other provision of the Trust Agreement, in determining whether the rights of the Holders of the Series 2004A Bonds will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect on the Holders of the Series 2004A Bonds as if there were no Bond Insurance Policy.

Notices to Ambac Assurance

(a) While the Bond Insurance Policy for the Series 2004A Bonds is in effect, the Authority or the Trustee, as appropriate, shall furnish to Ambac Assurance, upon request, the following:

- (1) A copy of any financial statement, audit and/or annual report of the Authority;
- (2) A copy of any notice to be given to the Holders of the Series 2004A Bonds, including, without limitation, notice of any redemption of or defeasance of the Series 2004A Bonds, and any certificate rendered pursuant to the Trust Agreement relating to the security for the Series 2004A Bonds;
- (3) To the extent that the Authority has entered into a continuing disclosure agreement with respect to the Series 2004A Bonds, Ambac Assurance shall be included as a party to be notified; and
- (4) Such additional information it may reasonably request.

Upon request, such information shall be delivered at the Authority's expense to the attention of the Surveillance Department, unless otherwise indicated.

(b) The Trustee shall notify Ambac Assurance of any failure of the Authority to provide relevant notices and certificates. Notwithstanding any other provision of the Trust Agreement, the Trustee shall immediately notify Ambac Assurance if at any time there are insufficient moneys to make any payments of principal and/or interest on the Series 2004A Bonds as required and immediately upon the occurrence of any Event of Default thereunder. Such information in this paragraph shall be delivered at the Authority's expense to the attention of General Counsel's Office.

(c) The Authority will permit Ambac Assurance to discuss the affairs, finances and accounts of the Authority or any information Ambac Assurance may reasonably request regarding the security for the Series 2004A Bonds with appropriate officers of the Authority. The Authority will permit Ambac Assurance to have access to the facilities financed or refinanced with proceeds of the Series 2004A Bonds, and to have access to and to make copies of all books and records relating to the Series 2004A Bonds at any reasonable time.

(d) Notices to Ambac Assurance shall be sent to: Ambac Assurance Corporation, One State Street Plaza, New York, NY 10004, Telephone: 212-668-0340.

Payment Procedure Pursuant to the Bond Insurance Policy for the Series 2004A Bonds

As long as the Bond Insurance Policy for the Series 2004A Bonds shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Trustee will determine whether there will be sufficient funds in the Revenue Fund to pay the principal of or interest on the Series 2004A Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such Revenue Fund, the Trustee shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Series 2004A Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified Ambac Assurance at least one (1) day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Series 2004A Bonds on or before the first (1st) day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to Ambac Assurance as provided in clause (a) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to the Bond Insurance Trustee, the registration books of the Authority maintained by the Trustee and all records relating to the Revenue Fund maintained under this Trust Agreement.

(c) The Trustee shall provide Ambac Assurance and the Bond Insurance Trustee with a list of Holders of the Series 2004A Bonds entitled to receive principal or interest payments from Ambac Assurance under the terms of the Bond Insurance Policy, and shall make arrangements with the Bond Insurance Trustee (i) to mail checks or drafts to the Holders of the Series 2004A Bonds entitled to receive full or partial interest payments from Ambac Assurance, and (ii) to pay principal upon the Series 2004A Bonds surrendered to the Bond Insurance Trustee by the Holders of the Bonds entitled to receive full or partial principal payments from Ambac Assurance.

(d) The Trustee shall, at the time it provides notice to Ambac Assurance pursuant to (a) above, notify Holders of the Series 2004A Bonds entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Bond Insurance Trustee, in form satisfactory to the Bond

Insurance Trustee, of an appropriate assignment of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Bond Insurance Trustee to permit ownership of such Bonds to be registered in the name of Ambac Assurance) for payment to the Bond Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Bonds for payment thereon first to the Trustee who shall note on such Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Bond Insurance Trustee, to the Bond Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series 2004A Bond which has become due for payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time Ambac Assurance is notified pursuant to (a) above, notify all Holders of Series 2004A Bonds that in the event that any Holder's payment is so recovered, such Holder will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Series 2004A Bonds which have been made by the Trustee and subsequently recovered from Holders and the dates on which such payments were made.

(f) In addition to those rights granted Ambac Assurance under the Trust Agreement, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Series 2004A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Ambac Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee upon receipt from Ambac Assurance of proof of the payment of interest thereon to the Holders of the Series 2004A Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note Ambac Assurance's rights as subrogee on the registration books of the Authority maintained by the Trustee upon surrender of the Series 2004A Bonds by the Holders thereof, together with proof of the payment of principal thereof.

Control by Ambac Assurance with respect to the Series 2004A Bonds

Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined therein, and so long as Ambac Assurance is not in default under the Bond Insurance Policy, and an act of bankruptcy with respect to Ambac Assurance shall not have occurred and be continuing, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of Series 2004A Bonds or the Trustee for the benefit of the Holders of Series 2004A Bonds under the Trust Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE FORM OF LOAN AGREEMENT

Loan to City; Repayment Provisions

Loan to City

The Authority covenants and agrees, upon the terms and conditions in the Loan Agreements, to make a loan of the amount specified in the Loan Agreement attached thereto to the City for the purpose of refinancing the Project. Pursuant to said covenant and agreement, the Authority will issue the Bonds upon the same terms and conditions contained in the Loan Agreements and the Trust Agreement and will cause the Bond proceeds to be applied as provided in provisions of the Loan Agreements concerning the Loan to the City and Repayment Provisions.

Repayment and Payment of Other Amounts Payable

The City covenants and agrees to pay to the Trustee the Repayment Installments on the loan to the City pursuant to the provisions of the Loan Agreements concerning the Loan to City, on the Repayment Installment Dates as set forth in an exhibit of the Loan Agreements.

Any amount held by the Trustee in the Revenue Fund on the City's behalf on any Repayment Installment Date under the Loan Agreements shall be credited against the Repayment Installment due on such date to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Revenue Fund on the City's behalf are sufficient to pay all of the Repayment Installments, the City shall be relieved of any obligation to make any further payments under the provisions of this section of the Loan Agreements. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Revenue Fund on the City's behalf is insufficient to make any required Repayment Installment on any Repayment Installment Date, the City shall forthwith pay such deficiency as a Repayment Installment under the Loan Agreement.

Upon written request of the Trustee, the City shall pay any Repayment Installment directly to the Trustee.

Unconditional Obligation

The obligations of the City to make the payments required by the provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts and to perform and observe the other agreements on its part contained in the Loan Agreements shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, and during the term of the Loan Agreements, the City shall pay absolutely net the payments to be made on account of the loan as prescribed in provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts and all other payments required thereunder, free of any deductions and without abatement, diminution or set-off; provided, that the City's obligation to make payments under the Loan Agreement shall be limited to the extent of System Net Revenues. Until such time as the Repayment Installments shall have been paid in full (or provision for the payment thereof shall have been made subject to the terms and conditions contained in the Trust Agreement concerning Defeasance), the City (i) will not suspend or discontinue any payments provided for in provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts; (ii) will perform and observe all of its other covenants contained in the Loan Agreements; and (iii) will not terminate the Loan Agreements for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Idaho or

any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Loan Agreements or the Trust Agreement, except to the extent permitted by the Loan Agreements.

Assignment of Authority's Rights

As security for the payment of the Bonds, the Authority will assign to the Trustee the Authority's rights, but not its obligations, under the Loan Agreements, including the right to receive payments thereunder (except (i) the rights of the Authority to receive notices under the Loan Agreements, (ii) the right of the Authority to receive certain payments, if any, with respect to fees, expenses and indemnification and certain other purposes under the provisions of the Loan Agreement concerning Notice to Trustee and Authority, and Indemnification, and (iii) the right of the Authority to give approvals or consents pursuant to the Loan Agreements) and the Authority thereby directs the City to make the payments required thereunder (except such payments for fees, expenses and indemnification) directly to the Trustee. The City thereby assents to such assignment and agrees to pay the Repayment Installments directly to the Trustee (subject to the provisions of the Loan Agreements concerning Repayment and Payment of Other Amounts Payable) without defense or set-off by reason of any dispute between the City and the Authority or the Trustee.

Amounts Remaining in Funds

It is agreed by the parties to the Loan Agreements that after payment in full of (i) the Repayment Installments, or after provision for such payment shall have been made as provided in the terms and conditions contained in the Trust Agreement concerning Defeasance, (ii) the fees and expenses of the Authority in accordance with the Loan Agreements, (iii) the fees, charges and expenses of the Trustee, the Registrar and Paying Agent in accordance with the Trust Agreement and the Loan Agreements and (iv) all other amounts required to be paid under the Loan Agreements and the Trust Agreement, any amounts remaining in any fund held by the Trustee under the Trust Agreement shall belong, subject to the requirements of the Trust Agreement concerning Tax Covenants and the Rebate Fund, to the Authority and be paid to the Authority by the Trustee.

Timeliness of Payments; Consent to State Intercept; Repayment

(a) The City thereby consents and agrees to the State intercept and repayment procedures contained in Section 67-8727, Idaho Code, and as set forth in the Loan Agreements.

(b) If the City is unable to transfer all of its Repayment Installment to the Trustee at least fifteen (15) days before the Repayment Installment Date, the City shall immediately notify the Trustee, the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail. If sufficient funds are not transferred to the Trustee for the Bonds of the Authority that are secured by the Loan Agreements at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall transfer any available funds pledged to secure payment of the Bonds in sufficient amounts to make up any shortfall in the amount necessary to pay debt service on the Bonds on the scheduled payment date and deposit such amount in the debt service payment fund for those Bonds.

(c) If, as a result of the failure of the City to make Repayment Installments in a timely manner, the Trustee shall transfer funds pursuant to paragraph (b) of this section of the Loan Agreements to pay debt service on the Bonds or if there are not sufficient funds available pursuant to paragraph (b) of this section of the Loan Agreements to make up for any shortfall in the amount necessary

to pay debt service on the Bonds, at least ten (10) days before the scheduled debt service payment date of the Bonds, the Trustee shall notify the Authority and the State Treasurer by: (i) telephone; (ii) a writing sent by facsimile transmission; and (iii) a writing sent by first-class United States mail.

(d) Upon the notice provided in subsection (c) of this section of the Loan Agreements, the City consents and agrees that the State Treasurer shall: (i) immediately intercept any payments from: (A) the receipts of any payment of property taxes; or (B) sales tax moneys that would be distributed pursuant to section 63-3638, Idaho Code; or (C) any other source of operating moneys provided by the State to the City that would otherwise be paid to the City by the State.

(e) If the State has made all or part of a Repayment Installment on behalf of the City from moneys transferred from the State sales tax account pursuant to Section 67-8716, Idaho Code, the City shall: (a) reimburse all moneys drawn by the State Treasurer on its behalf; (b) pay interest to the State on all moneys paid by the State from the date the moneys are drawn to the date they are repaid at a rate not less than the average prime rate for national money center banks plus five percent (5%); and (c) pay all penalties required by the Act.

(f) The State Treasurer shall establish the reimbursement interest rate after considering the circumstances of any prior draws by the City on the State, market interest and penalty rates, and the cost of funds, if any, that were required to be borrowed by the State to make Repayment Installments.

(g) The State Treasurer may, after considering the circumstances giving rise to the failure of the City to make its Repayment Installments in a timely manner, impose on the City a penalty of not more than five percent (5%) of the amount paid by the State for each instance in which a payment by the State is made.

(h) (i) If the State Treasurer determines that amounts obtained under this section of the Loan Agreements will not reimburse the State in full within one (1) year from the State's payment of the City's scheduled Repayment Installments, the State Treasurer shall, subject to clause (ii) thereof, pursue any legal action, including mandamus, against the City to compel it to take any action required by the Act, including:

(1) Levy and provide tax or other revenues to pay Repayment Installments when due; and

(2) Meet its repayment obligations to the State.

(ii) In pursuing its rights under paragraph (i) of this subsection (h), the State shall have the same substantive and procedural rights as would a holder of the Loan Agreements.

(iii) The attorney general shall assist the State Treasurer in these duties.

(iv) The City shall pay the attorney's fees, expenses and costs of the State Treasurer and the State attorney general.

Security

Pledge of System Net Revenues

All System Net Revenues and all amounts on deposit in the Income Fund are irrevocably pledged to the payment of the Repayment Installments as provided in the Loan Agreements and the System Net Revenues shall not be used for any other purpose while any of the Repayment Installments remain unpaid; *provided* that (i) any Prior Obligations shall be paid on parity with the Repayment Installments, and (ii) out of the System Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Loan Agreement. This pledge, together with the pledge created by all other Parity Debt, shall constitute a first lien on System Net Revenues and, subject to application of amounts on deposit therein as permitted in the Loan Agreement, the Income Fund and other funds and accounts created thereunder for the payment of the Repayment Installments and all other Parity Debt in accordance with the terms thereof and of the Trust Agreement. Notwithstanding this section of the Loan Agreements, the City consents to the sales tax intercept set forth in the provisions of the Loan Agreements concerning Timeliness of Payments and Consent to State Intercept and Repayment and Section 67-8727, Idaho Code.

Allocation of System Revenues

In order to carry out and effectuate the pledge and lien contained in the Loan Agreement, the City agrees and covenants that all System Revenues shall be received by the City in trust thereunder and shall be deposited when and as received in a special fund designated as the "Income Fund", which fund is thereby established and which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as any Repayment Installments remain unpaid. To the extent the City has an existing fund which satisfies the foregoing requirements, then such shall be deemed to be the "Income Fund" and the City shall not be required to create a new fund. The City may maintain separate accounts within the Income Fund. The amounts in the Income Fund shall be invested in investments permitted by State law. Moneys in the Income Fund shall be used and applied by the City as provided in the Loan Agreement.

The City shall, from the moneys in the Income Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. Thereafter, all remaining moneys in the Income Fund shall be set aside by the City at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this section of the Loan Agreements.

(a) Repayment Installments. Not later than each Repayment Installment Date, the City shall, from the moneys in the Income Fund, transfer to the Trustee the Repayment Installment due and payable on that Repayment Installment Date. The City shall also, from the moneys in the Income Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Parity Obligation Payments in accordance with the provisions of any Parity Obligation.

(b) Surplus. Moneys on deposit in the Income Fund not necessary to make any of the payments required above, may be expended by the City at any time for any purpose permitted by law, including but not limited to payments with respect to Subordinate Obligations.

Additional Parity Debt

The City may at any time enter into any Parity Debt; *provided:*

(a) The City shall be in compliance with all agreements, conditions, covenants and terms contained in the Loan Agreements, and a Certificate of the City to that effect shall have been filed with the Trustee;

(b) The Parity Debt shall have been duly authorized pursuant to all applicable laws;

(c) (i) DEQ approves a loan application from the City, or (ii) a report of the Consulting Engineer shows that (A) the System Net Revenues for the projected life of the Parity Debt will be at least equal to 110% of the Maximum Annual Debt Service, or (B) the System Net Revenues for the Fiscal Year immediately preceding the date of the resolution authorizing the Parity Debt shall have been sufficient to pay an amount representing 110% of the Maximum Annual Debt Service; provided, that there may be added to such System Net Revenues an allowance for net revenues from any improvements to the System to be made with the proceeds of such Parity Debt and also for net revenues from any improvements to the System which have been made from money from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 75% of the estimated additional average annual net revenues to be derived from each such improvement for the first 36 month period in which each such improvement is in operation; and

(d) In determining whether Parity Debt may be issued, the Consulting Engineer shall consider any probable increase (but not decrease) in Operation and Maintenance Costs.

Nothing contained in this section of the Loan Agreements shall limit the issuance of any revenue bonds of the City payable from the System Net Revenues and secured by a lien and charge on the System Net Revenues if, after the issuance and delivery of such revenue bonds, none of the Repayment Installments shall be unpaid. Furthermore, nothing contained in this section of the Loan Agreements shall limit the issuance of any Parity Debt for the purpose of refunding Outstanding Parity Debt or of any Subordinate Obligations.

Special Covenants And Agreements

Punctual Payment

The City will punctually pay all Repayment Installments in strict conformity with the terms of this section of the Loan Agreements to the extent of System Net Revenues and will faithfully satisfy, observe and perform all agreements, conditions, covenants and terms thereof. Notwithstanding this section of the Loan Agreements, the City consents to the sales tax intercept set forth in the provisions of the Loan Agreements concerning Timeliness of Payments and Consent to State Intercept and Repayment and Section 67-8727, Idaho Code.

Legal Existence

The City will use all means legally available to maintain its existence.

Against Encumbrances

The City will not mortgage or otherwise encumber, pledge or place any charge upon any of the System Net Revenues except as provided in the Loan Agreements, and will not issue any

obligations secured by System Net Revenues senior to the Parity Debt; *provided*, that the City may at any time issue any Subordinate Obligations.

Against Sale or other Disposition of the System

The City will not sell or otherwise dispose of the System or any part thereof essential to the proper operation of the System or to the maintenance of the System Net Revenues, unless the Repayment Installments have been fully paid or provision has been made therefor in accordance to the terms and conditions contained in the Trust Agreement concerning Defeasance. The City will not enter into any lease or agreement which impairs the operation of the System or any part thereof necessary to secure adequate System Net Revenues for the payment of the Repayment Installments, or which would otherwise impair the rights of the Owners with respect to the System Net Revenues or the operation of the System.

Maintenance and Operation of System

The City agrees that as long as it owns the Project it will (i) maintain, or cause to be maintained, the Project in as reasonably safe condition as its operations shall permit and (ii) maintain, or cause to be maintained, the Project in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Right of Access to the Project

The City agrees that during the term of the Loan Agreements, the Authority, the Trustee and the duly authorized agents of either of them shall have the right at all reasonable times during normal business hours to enter upon the site of the Project described in Exhibit A thereto to examine and inspect such Project; provided, however, that this right is subject to federal and State of Idaho laws and regulations applicable to such site. The rights of access thereby reserved to the Authority and the Trustee may be exercised only after such agent shall have executed release of liability (which release shall not limit any of the City's obligations thereunder) and secrecy agreements if requested by the City in the form then currently used by the City, and nothing contained in this section of the Loan Agreements or in any other provision of the Loan Agreements shall be construed to entitle the Authority or the Trustee to any information or inspection involving the confidential knowledge of the City.

Tax Exempt Status of Bonds

It is the intention of the parties to the Loan Agreements that interest on the Loan Agreements and the Bonds shall be and remain excluded from gross income for federal income tax purposes. To that end, the covenants and agreements of the Authority and the City in this section of the Loan Agreements and in the Tax Certificate are for the benefit of the Trustee and each and every person who at any time will be a holder of the Bonds. Without limiting the generality of the foregoing, the City and the Authority agree that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to the Rebate Requirement. This covenant shall survive payment in full or defeasance of the Loan Agreements or the Bonds. The City specifically covenants to pay or cause to be paid for and on behalf of the Authority to the United States at the times and in the amounts determined under the provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund the Rebate Requirement as described in the Tax Certificate and the Trust Agreement. The Authority shall not be liable to make any such payment except from funds provided by the City for such purpose.

The Authority covenants and agrees that it has not taken and will not take any action which results in interest to be paid on the Bonds being included in gross income of the holders of the

Bonds for federal income tax purposes, and the City covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action which will cause the interest on the Loan Agreements or the Bonds to become includable in gross income for federal income tax purposes; *provided that*, except for any audit examination or other proceeding by the Internal Revenue Service, none of the covenants and agreements contained in the Loan Agreements shall require either the City or the Authority to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Loan Agreements or the Bonds. The City acknowledges having read provisions of the Trust Agreement concerning Tax Covenants and Rebate Fund and agrees to perform all duties imposed on it by such section, by this section of the Loan Agreements and by the Tax Certificate. Insofar as such section of the Trust Agreement and the Tax Certificate impose duties and responsibilities on the Authority or the City, they are specifically incorporated into the Loan Agreements by reference. In particular, the City represents that it reasonably expects to make each payment due under the Loan Agreements from System Net Revenues received in the five month period preceding such payment, and the City covenants to notify the Authority within 60 days on any Repayment Installment Date for which that does not occur.

Notwithstanding any provision of the Loan Agreements concerning the Tax Exempt Status of Bonds or the provisions of the Trust Agreement concerning the Amount of Prepayment, if the City shall provide to the Authority and the Trustee an Opinion of Bond Counsel to the effect that any specified action required under the provisions of the Loan Agreements concerning the Tax Exempt Status of Bonds and the provisions of the Trust Agreement concerning the Amount of Prepayment is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Bonds, the City, the Trustee and the Authority may conclusively rely on such opinion in complying with the requirements of this section of the Loan Agreement, and the covenants set forth in the provisions of the Loan Agreement concerning the Tax Exempt Status of the Bonds shall be deemed to be modified to that extent.

Notices to Trustee and Authority

The City thereby agrees to provide the Trustee and the Authority with notice of any event of which it has knowledge which, with the passage of time or the giving of notice, would be an Event of Default, such notice to include a description of the nature of such event and what steps are being taken to remedy such Event of Default.

Continuing Disclosure

The City thereby covenants and agrees to comply with the continuing disclosure requirements for the Bonds as promulgated under Rule 15c2-12, as it may from time to time thereafter be amended or supplemented, including those requirements set forth below. Notwithstanding any other provision of the Loan Agreements, failure of the City to comply with the requirements of Rule 15c2-12 applicable to the Bonds, as it may from time to time thereafter be amended or supplemented, shall not be considered an Event of Default thereunder or under the Trust Agreement; however, any Bondholder or beneficial owner of any Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations pursuant to the provisions of the Loan Agreement concerning Continuing Disclosure.

(a) Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this section of the Loan Agreements unless otherwise defined in this section of the Loan Agreements, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in the provisions of the Loan Agreement concerning Continuing Disclosure.

“Beneficial Owner” shall mean any person who has the power, directly or indirectly, to vote or consent with respect to, or dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Disclosure Representative” shall mean the Treasurer of the City or his or her designee, or such other officer or employee as the City shall designate in writing to the Trustee from time to time.

“Dissemination Agent” shall mean the Trustee, acting in its capacity as Dissemination Agent under the Loan Agreements, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in provisions of the Loan Agreement concerning Continuing Disclosure.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth at <http://www.sec.gov/consumer/NRMSIR.htm>.

“Owner” means an owner of the Bonds and includes Beneficial Owners.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Currently there is no State Repository in the State of Idaho.

(b) Provision of Annual Reports.

(i) The City shall, with the assistance of the Dissemination Agent, not later than six months after the end of the City’s fiscal year (presently September 30), commencing with the report for the 2003-2004 Fiscal Year, provide to each Repository and the Authority an Annual Report which is consistent with the requirements of the Loan Agreement concerning Continuing Disclosure. The filing shall be transmitted by Disclosure Agent and may be through the DisclosureUSA system of the Securities and Exchange Commission. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in the provisions of the Loan Agreement concerning Continuing Disclosure. If the City’s fiscal year

changes, it shall give notice of such change in the same manner as for a Listed Event under the provisions of the Loan Agreement concerning Continuing Disclosure.

(ii) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide the Annual Report, to the Dissemination Agent, to the Trustee (if the trustee is not the Dissemination Agent) and to the Authority. If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City to determine if the City is unable to provide to the Repositories in compliance with the first sentence of this subsection (ii).

(iii) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (i) the Trustee shall send a notice to the Municipal Securities Rulemaking Board, the Authority and the State Repository in substantially the form as Exhibit D2 attached.

(iv) The Dissemination Agent (currently the Trustee) shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository; and

(2) file a report with the City, the Authority and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to the Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

(c) Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(i) The audited financial statements for the City for the most recently ended fiscal year, currently prepared, to the extent feasible, in substantial conformance with generally accepted accounting principles applicable from time to time to governmental entities, with any permitted exception and an adopted budget for the then current fiscal year.

(ii) A statement in the form attached to the Loan Agreements as Exhibit D1 as to outstanding debt, litigation, compliance with regulatory matters and related items.

(d) Reporting of Significant Events.

(i) Pursuant to the provisions of this section of the Loan Agreements, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Loan Agreements and the Bonds, if material:

(1) principal and interest payment delinquencies.

(2) non-payment related defaults.

(3) modifications to rights of Bond Owners.

(4) optional, contingent or unscheduled redemptions of the Loan Agreements and any Parity Debt.

- (5) defeasances.
- (6) rating changes.
- (7) adverse tax opinions or events adversely affecting the tax-exempt status of the Loan Agreements.
- (8) unscheduled draws on debt service reserves reflecting financial difficulties.
- (9) unscheduled draws on credit enhancements reflecting financial difficulties.
- (10) substitution of credit or liquidity providers, or their failure to perform.
- (11) release, substitution, or sale of property securing repayment of the Loan Agreements.

(ii) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (vi).

(iii) Whenever the City obtains knowledge of the occurrence of a Listed Event whether because of a notice from the Trustee pursuant to subsection (ii) or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(iv) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (vi).

(v) If in response to a request under subsection (ii), the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (vi) of this section of the Loan Agreements.

(vi) If the Trustee has been instructed by the City to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (i)(4) and (5) need not be given under this subsection of the Loan Agreements any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

(e) Termination of Reporting Obligation. The City's obligations under the Disclosure Agreement shall terminate upon the legal defeasance or discharge of the Loan Agreements in accordance with the provisions of the Loan Agreements concerning Discharge of Obligations. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under the provisions of the Loan Agreements concerning Continuing Disclosure.

(f) Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The

Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Trustee.

(g) Amendment; Waiver. Notwithstanding any other provision of the section of the Loan Agreement concerning Continuing Disclosure, the City and the Authority (or upon assignment of the Loan Agreements by the Authority, the Trustee) may amend this section of the Loan Agreement (and the Trustee shall agree to any amendment so requested by the City), and any provision of this section may be waived, provided that the following conditions are satisfied:

(i) If the amendment or waiver relates to the provisions of the Continuing Disclosure section of the Loan Agreements concerning Annual Reports, the Content of Annual Reports or the Reporting of Significant Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(ii) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver either (1) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (2) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Owners and Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Loan Agreement concerning Continuing Disclosure, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Listed Event under the section of the Loan Agreements concerning Continuing Disclosure and the Reporting of Significant Events, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

(h) Additional Information. Nothing in the provisions of the Loan Agreements concerning Continuing Disclosure shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this section or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this section. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this section, the City shall have no obligation under this section to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

(i) Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in the provisions of the Loan Agreements concerning Continuing Disclosure, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Loan Agreements, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under the provisions of the Loan Agreement concerning Continuing Disclosure shall survive resignation or removal of the Dissemination Agent and payment of the Loan Agreements.

(j) Notices. Any notices or communications to or among any of the parties to the provisions of the Loan Agreements concerning Continuing Disclosure may be given at their addresses as set forth in the Trust Agreement and the Loan Agreements.

(k) Beneficiaries. This section of the Loan Agreements shall inure solely to the benefit of the City, the Authority, the Trustee, the Dissemination Agent, the Participating Underwriters, Beneficial Owners and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

(l) Filings. Any filings under the Loan Agreements may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Eminent Domain Proceeds

If all or any part of the System shall be taken by eminent domain proceedings, the Net Proceeds realized by the City therefrom shall be deposited by the City with the Trustee in a special fund which the Trustee shall establish as needed in trust and applied by the City to the cost of acquiring and constructing additions, betterments, extensions or improvements to the System if (A) the City first secures and files with the Trustee a Certificate of the City showing (i) the loss in annual System Revenues, if any, suffered, or to be suffered, by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the System then proposed to be acquired and constructed by the City from such proceeds, and (iii) an estimate of the additional System Revenues to be derived from such additions, betterments, extensions or improvements; and (B) the Trustee has been furnished a Certificate of the City, certifying that such additional System Revenues will sufficiently offset on a timely basis the loss of System Revenues resulting from such eminent domain proceedings so that the ability of the City to pay Repayment Installments when due will not be substantially impaired, and such Certificate of the City shall be final and conclusive, and any balance of such proceeds not required by the City for such purpose shall be deposited in the Income Fund and applied as provided in the provisions of the Loan Agreements concerning Allocation of System Revenues, *provided*, that if the foregoing conditions are not met, then such proceeds shall be deposited with the Trustee and applied to make Repayment Installments as they come due and Parity Obligation Payments as they shall become due; *provided further* that the foregoing procedures for the application of Net Proceeds shall be subject to any similar provisions for Parity Debt on a pro rata basis.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the System Revenues and the security of the Repayment Installments, and a Certificate of the City to such effect has been filed with the Trustee, then the City shall forthwith deposit such proceeds in the

Income Fund, to be applied as provided in the provisions of the Loan Agreements concerning Legal Existence.

Amounts of Rates, Fees and Charges

The City will, at all times while any of the Repayment Installments remain unpaid, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts during such Fiscal Year:

- (i) All current Operation and Maintenance Costs.
- (ii) The Repayment Installments and the payments for the other Parity Debt and the payment of the Subordinate Obligations as they become due and payable.
- (iii) All payments required for compliance with the terms of the Loan Agreements.
- (iv) All payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the System Net Revenues.

In addition to the requirements of the first paragraph of this section, the City will, at all times while any Repayment Installments remain unpaid, to the maximum extent permitted by law, fix, prescribe and collect rates, fees and charges and manage the operation of the System for each Fiscal Year so as to yield System Net Revenues during such Fiscal Year equal to at least 110% per cent of the Annual Debt Service in such Fiscal Year.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the System Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section of the Loan Agreements.

Enforcement of and Performance under Contracts

The City shall enforce all material provisions of any contracts to which it is a party, an assignee, successor in interest to a party or third-party beneficiary, in any case where such contracts provide for material payments or services to be rendered to the System. Further, the City will comply with, keep, observe and perform all material agreements, conditions, covenants and terms, express or implied, required to be performed by it, contained in all contracts affecting or involving the System, to the extent that the City is a party thereto.

Collection of Charges, Fees and Rates

The City will have in effect at all times rules and regulations requiring each user of the System to pay the applicable charges, fees and rates and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City will enforce the collection procedures contained in such rules and regulations.

No Free Service

The City will not permit any part of the System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, charitable organization, or by any public agency (including the State of Idaho and any city, county, public agency, political subdivision, public corporation or agency or any thereof), unless otherwise required by law or existing written agreements.

Payment of Claims

The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the System or upon the System Net Revenues or any part thereof, or upon any funds held by the Trustee, or which might impair the security of the Repayment Installments; *provided*, that nothing in the Loan Agreements contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such claims and such nonpayment will not materially adversely affect the City's ability to perform its obligations under the Loan Agreements.

Books of Record and Accounts; Financial Statements

The City will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System and the Income Fund, and upon request will provide information concerning such books of record and accounts to the Trustee.

The City will prepare annually, not later than one hundred eighty (180) days after the close of each Fiscal Year, so long as any Repayment Installments remain unpaid, an audited financial statement of the City relating to the Income Fund and all other accounts or funds established pursuant to the Loan Agreements for the preceding Fiscal Year prepared by a City Independent Certified Public Accountant, showing the balances in each such account or fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such account or fund during such Fiscal Year and the balances in each such account or fund as of the end of such Fiscal Year, which audited financial statement shall include a statement as to the manner and extent to which the City has complied with the provisions of the Loan Agreements. The City will furnish a copy of such audited financial statement to the Trustee and to the Information Services upon request, and will furnish such reasonable number of copies thereof to investment bankers, security dealers and others interested in the Bonds.

Payment of Taxes and Other Charges and Compliance with Governmental Regulations

The City will pay and discharge all taxes, service charges, assessments and other governmental charges which may thereafter be lawfully imposed upon the System or any properties owned by the City, or upon the System Revenues, when the same shall become due; *provided*, that nothing in the Loan Agreements contained shall require the City to make any such payments so long as the City in good faith shall contest the validity of any such taxes, service charges, assessments or other governmental charges and such nonpayment will not materially adversely affect the City's ability to perform its obligations under the Loan Agreements.

The City will duly comply with all applicable State, federal and local statutes and all valid regulations and requirements of any governmental authority relative to the operation of the System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and such noncompliance will not materially adversely affect the City's ability to perform its obligations under the Loan Agreements.

Maintenance of Insurance

The City agrees to maintain fire and extended coverage insurance on the System in such minimum amounts as are reasonable and prevalent for similar municipalities and systems in the State of Idaho and worker's compensation coverage on all full-time employees working on, in, near or about the System in accordance with applicable State laws. The City may self-insure against such risks. The City shall provide evidence of such insurance to the Authority or the Trustee, respectively, upon written request of either the Authority or the Trustee.

Delivery of Closing Documents

The City agrees to execute and deliver on the Closing Date the certificates attached to the Loan Agreements as Exhibit C.

Events of Default and Remedies

Events of Default

Any one of the following which occurs and continues shall constitute an Event of Default pursuant to the Loan Agreements:

(a) failure by the City to pay any Repayment Installment on its respective Repayment Installment Date; or

(b) failure of the City to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Loan Agreements, other than making the payments referred to in (a) above, which continues for a period of 60 days after written notice, which notice shall specify such failure and request that it be remedied, given to the City by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued until the default is corrected.

The provisions of subsection (b) of this section of the Loan Agreements are subject to the limitation that the City shall not be deemed in default if and so long as the City is unable to carry out its agreements under the Loan Agreements by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Idaho or any of their departments, agencies, or officials, or any civil or military City; insurrections, riots, epidemics, landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the City; it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City, and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the City, unfavorable to the City. This limitation shall not apply to any default under subsection (a) of this section of the Loan Agreements.

Remedies on Default

Whenever any Event of Default shall have occurred and shall continue, the following remedies may be pursued:

(a) The Trustee shall have access to and the right to inspect, examine and make copies of the books and records and any and all accounts and data of the City.

(b) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the City under the Loan Agreements.

In case the Trustee or the Authority shall have proceeded to enforce its rights under the Loan Agreements and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Authority, then, and in every such case, the City, the Trustee and the Authority shall be restored respectively to their several positions and rights under the Loan Agreements, and all rights, remedies and powers of the City, the Trustee and the Authority shall continue as though no such action had been taken (provided, however, that any settlement of such proceedings duly entered into by the Authority, the Trustee or the City shall not be disturbed by reason of this provision of the Loan Agreements).

In case the City shall fail forthwith to pay amounts due by reason of the provisions of the Loan Agreements concerning Continuing Disclosure upon demand of the Trustee, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the City and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the City under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the City or in the case of any other similar judicial proceedings relative to the City, or the creditors or property of the City, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreements and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the City, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Trust Agreement after the deduction of its charges and expenses. Any receiver, assignee or trustee in bankruptcy or reorganization is thereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including expenses and fees of counsel incurred by it up to the date of such distribution.

Agreement to Pay Attorneys' Fees and Expenses

In the event the City should default under any of the provisions of the Loan Agreements and the Authority or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under the Loan Agreements or the enforcement of performance or observance of any obligation or agreement on the part of the City therein contained, the City agrees to pay to the Authority or the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Authority or the Trustee.

No Remedy Exclusive

No remedy in the Loan Agreements conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreements or now or thereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the Trustee to exercise any remedy reserved to it in the provisions of the Loan Agreements concerning Events of Default and Remedies, it shall not be necessary to give any notice, other than such notice as may be expressly required by the Loan Agreements. Such rights and remedies as are given the Authority thereunder shall also extend to the Trustee, and the Trustee and the holders of the Bonds shall be deemed third party beneficiaries of all covenants and agreements therein contained.

No Additional Waiver Implied by One Waiver

In the event any agreement or covenant contained in the Loan Agreement should be breached by the City and thereafter waived by the Authority or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach thereunder.

No Cross Default

The City shall not be liable for the failure of any other municipality to make payments with respect to the Bonds. The occurrence of any Event of Default of any other municipality under such municipality's loan agreement shall not constitute an Event of Default of the City under the Loan Agreement.

Prepayment

Redemption of Bonds with Prepayment Moneys

By virtue of the assignment of certain of the rights of the Authority under the Loan Agreements to the Trustee as is provided in provisions of the Loan Agreements concerning Assignment of Authority's Rights, the City agrees to and shall pay directly to the Trustee any amount permitted or required to be paid by it under the provisions of the Loan Agreements concerning Prepayment. The Trustee shall use the moneys so paid to it by the City to effect redemption of the Bonds as set forth in the provisions of the Loan Agreement concerning Prepayment on the date specified for such redemption pursuant to the provisions of the Loan Agreement concerning Notice of Prepayment. The principal component of the Repayment Installments to be prepaid shall correspond in amount and maturity date to the Bonds related to the Loan Agreements.

Option to Prepay Installments

The Repayment Installments specified in Schedule 1 of the Loan Agreements are subject to prepayment on the dates and in the amounts as set the amount specified in Schedule 1.

Amount of Prepayment

In the case of a prepayment of the entire amount due under the Loan Agreements pursuant to the provisions of the Loan Agreements concerning Options to Prepay Installments, the

amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay all Repayment Installments thereafter due.

Notice of Prepayment

The City shall give sixty days' prior written notice to the Authority and the Trustee specifying the date upon which any prepayment pursuant to the provisions of the Loan Agreements concerning Prepayment will be made. The Authority and the Trustee, at the request of the City, shall forthwith take all steps necessary under the applicable provisions of the Trust Agreement (except that the Authority shall not be required to make payment of any money required for such redemption) to effect redemption of the part of the then outstanding Bonds related to the Loan Agreements, as the case may be, on the earliest practicable date thereafter on which such redemption may be made under applicable provisions of the Trust Agreement.

Notwithstanding anything to the contrary in the Loan Agreements, each notice contemplated in the provisions of the Loan Agreement concerning Prepayment that is given with respect to an optional prepayment pursuant to the provisions of the Loan Agreement concerning Options to Prepay Installments thereof may state that it is subject to and conditional upon receipt by the Trustee on or prior to the proposed prepayment date of amounts sufficient to effect such prepayment and, if a notice so states, such notice shall be of no force and effect and the prepayment need not be made and the Repayment Installments will not become due and payable on the proposed prepayment date unless such amounts are so received on or prior to the proposed prepayment date.

Discharge of Obligations

Discharge of Obligations

The Repayment Installments shall be discharged to the extent the Bonds are discharged under the Trust Agreement. The principal components of the Repayment Installments to be discharged shall correspond in amount and maturity date to the Bonds related to the Loan Agreements.

If the City shall pay or cause to be paid or there shall otherwise be paid to the Trustee all of the Repayment Installments at the times and in the manner stipulated in the Loan Agreements, and the City shall pay in full all other amounts due thereunder, then all agreements, covenants and other obligations of the City thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Any Repayment Installments shall prior to the Repayment Installment Date or prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the second paragraph of this section of the Loan Agreements if (1) in case any of such Repayment Installments are to be prepaid, the City shall have given to the Authority and Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Loan Agreements, (2) there shall have been deposited with the Trustee (A) money in an amount which shall be sufficient and/or (B) Government Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of a City Independent Certified Public Accountant, to pay when due the Repayment Installments on and prior to the Repayment Installment Dates or prepayment date thereof, as the case may be, and the prepayment premiums, if any, on such Repayment Installments, and (3) an Opinion of Counsel to the

effect that such treatment will not adversely affect the tax-exempt status of interest on any Bonds under the Loan Agreements.

Non-Liability of Authority; Expenses; Indemnification

Non-Liability of Authority

The Authority shall not be obligated to pay the principal of, or premium, if any, or interest on the Bonds, or to discharge any other financial liability (including but not limited to financial liability under provisions of the Loan Agreement concerning Right of Access to the Project) in connection therewith, except from, and to the extent of, System Net Revenues. The City thereby acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the City pursuant to the Loan Agreements (excluding payments to the Authority or the Trustee pursuant to the provisions of the Loan Agreements concerning the Tax Exempt Status of the Bonds and Indemnification).

Liability of City Limited to System Revenues

Notwithstanding any other provision in the Loan Agreements other than the City's consent to the sales tax intercept set forth in the Loan Agreements and Section 67-8727, Idaho Code, the City shall not be required to advance any moneys derived from any source of income other than the System Revenues, the Income Fund and the other funds provided therein for the payment of the Repayment Installments or for the performance of any agreements or covenants required to be performed by it contained therein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Repayment Installments is a special obligation of the City payable solely from the System Net Revenues (except as provided in the provisions of the Loan Agreements concerning Timeliness of Payments, Consent to State Intercept and Repayment), and does not constitute a debt of the City or of the State of Idaho or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Indemnification

The City releases the Authority and the Trustee from, and covenants and agrees that neither the Authority nor the Trustee shall be liable for, and covenants and agrees, to the extent permitted by law, to indemnify, defend and hold harmless the Authority and the Trustee and their officers, elected officials, employees and agents from and against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation or construction of the Project or any part thereof. The indemnity of the Trustee required by this section of the Loan Agreements shall be only to the extent that any loss sustained by the Trustee exceeds the net proceeds the Trustee receives from any insurance carried with respect to the loss sustained.

Miscellaneous

Amendments, Changes and Modifications

Subsequent to the initial issuance of Bonds and prior to their payment in full, or provision for such payment having been made as provided in the Trust Agreement, the Loan Agreements may be amended, changed or modified as set forth in the provisions of the Trust Agreement concerning Amendment of the Trust Agreement and Loan Agreements.

Appendix F

City of Blackfoot

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City of Blackfoot

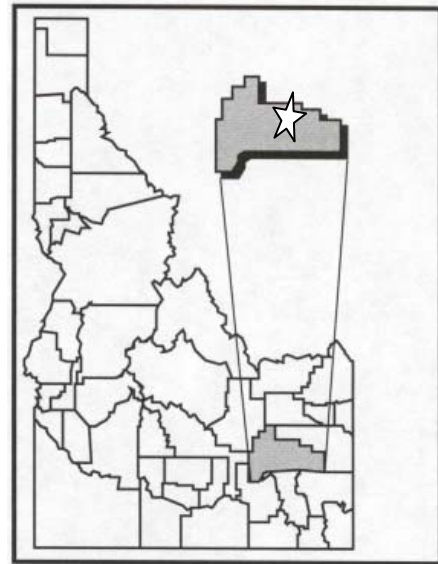
The City of Blackfoot (the “City”) is a political subdivision of the State of Idaho, located in Bingham County, Idaho, and was incorporated in 1901. The City is managed by a Mayor-City Council form of government pursuant to Title 50 of the Idaho Code, as amended.

The City currently employs 93 full-time and 61 part-time people.

The following table shows recent City population:

Historic Population

July 1 Estimate	Population
2003	10,646
2002	10,532
2001	10,505
2000	10,430
April 1 Census	
2000	10,419



*City of Blackfoot,
Bingham County*

Source: U.S. Census Bureau.

System

The City owns, operates and maintains or controls all the sanitary wastewater transportation and treatment systems within the City limits (the “Wastewater System”). The Wastewater System serves 3,400 customers within the City’s boundaries plus 395 customers outside the City.

The City owns and manages distribution lines to two lift stations that serve customers outside the City’s boundaries. The lift stations are owned and operated by Moreland Sewer District (64 customers) and Grobeland Sewer District (331 customers). The City bills these two sewer districts based EDU usage. The two sewer districts bill non-City customers.

The Project. Proceeds from the City’s loan with the Authority will be used to repay DEQ for its 1993 loan to the City. The Prior Loan was used to finance all or a portion of certain improvements to its Wastewater System (the “Project”). The Project includes, among other things, a new aeration system, digester cover, flow metering, dechlorination facilities, digester piping, sludge grinders, and breakroom; replace sewer line at State Fairgrounds; and extends the collection system into Rolling Green Acres. The Project constitutes a “project” as that term is defined in the Wastewater Law.

Regulatory Compliance. The City’s treatment plant is governed by the United States Environmental Protection Agency NPDES Permit No. ID 002004-4, which was issued on November 28, 2000 and is good through November 28, 2005. The City is in compliance with its permit and has been well below all limitations since the completion of the Project. The City reports to DEQ and EPA by the 10th of each month.

Accounting. The Sewer Fund is a separate fund in the City’s Annual Financial Report. The Sewer Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE SEWER FUND IS THE INCOME FUND IN THE LOAN AGREEMENT. See “Financial Factors” herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 288) passed by the City's City Council and approved by the Mayor on October 5, 2004 pursuant to the provisions of the Act. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, to be dated as of December 1, 2004.

Long-Term Debt Borrowings

The City issued its Certificates of Participation, Series 2000, in the original principal amount of \$3,125,000 as of February 1, 2000. The 2000 Certificates have a parity lien on the System Revenues.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Sewer Fund</i>				
Wastewater Treatment Plant COP	02/01/00	09/01/19	\$ 3,125,000	\$ 2,640,000
DEQ Loan ⁽¹⁾	09/13/93	09/30/13	650,000	356,229
Less: Prior Loan ⁽¹⁾				(356,229)
Series 2004 Loan	12/01/04	09/01/13	345,000	<u>345,000</u>
Total Sewer Fund Debt				<u>\$ 2,985,000</u>
<i>Water Fund</i>				
Water Revenue Notes	09/02	09/06	\$ 400,000	\$ 218,831

(1) Prior Loan is being refinanced with proceeds of the Series 2004 Loan.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement

Capital Leases

The City has entered into lease agreements to finance various equipment purchases. Currently, all of the City's outstanding leases mature no later than Fiscal Year 2007. The total principal amount outstanding is \$73,215.

Future Financings

The City has not taken any action to issue additional debt within the next twelve months.

Sewer Obligations Debt Service Requirements

Fiscal Year ⁽¹⁾	Outstanding Parity Debt						Total Debt							
	Certificates of Participation		Prior Loan ⁽²⁾		Series 2004 Loan									
	Principal	Interest	Principal	Interest	Principal	Interest								
2005	\$	120,000	\$	145,275	\$	33,606	\$	13,916	\$	35,000	\$	10,706	\$	263,459
2006		125,000		139,275		34,964		12,559		35,000		13,400		265,153
2007		135,000		132,900		36,376		11,146		35,000		12,350		267,728
2008		140,000		125,948		37,846		9,677		35,000		11,300		264,725
2009		145,000		118,668		39,375		8,148		35,000		10,250		261,395
2010		155,000		111,055		40,966		6,557		40,000		8,500		267,033
2011		160,000		102,918		42,621		4,902		40,000		6,500		261,895
2012		170,000		94,358		44,342		3,180		45,000		4,500		266,335
2013		180,000		85,093		46,134		1,389		45,000		2,250		264,820
2014		190,000		75,103		0		0		0		0		265,103
2015		200,000		64,463		0		0		0		0		264,463
2016		210,000		53,163		0		0		0		0		263,163
2017		225,000		41,193		0		0		0		0		266,193
2018		235,000		28,255		0		0		0		0		263,255
2019		250,000		14,625		0		0		0		0		264,625
	\$	2,640,000	\$	1,332,288	\$	356,229	\$	71,473	\$	345,000	\$	79,756	\$	3,969,341

(1) Fiscal years ending September 30.

(2) Prior Loan to be refunded by the Series 2004A Bond Bank Loan.

Source: Audited Financial Statement for the Year Ended September 30, 2003.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto. The City has not failed to comply with any continuing disclosure undertaking in the past five years.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2004 Loan.

Financial Factors

Financial Reporting

The City's auditor, Jones, Yost, Hatt, Erickson & Co., CPAs, Pocatello, Idaho, opined that the general purpose financial statements for the City, excluding the Blackfoot Urban Renewal Agency, and the results of its operations and cashflows of its proprietary funds for the years ended September 30, 2001, 2002 and 2003, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. In its Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards, Jones, Yost, Hatt, Erickson & Co. stated that it conducted tests for the Fiscal Year ended September 30, 2002, that disclosed instances of noncompliance that are required to be reported under Government Auditing Standards. The tests showed no material weaknesses, but did question whether costs totaling \$332,461 were charged twice to the EPA and EDA grants for the City's wastewater treatment plant upgrade. The auditor reported that the City expected to incur sufficient allowable costs to offset the charges. Jones, Yost, Hatt, Erickson & Co. was not requested to opine on compliance with those provisions and was not requested to review this Official Statement.

The City's audited financial statements for the years ended September 30, 2001 through 2003 are in compliance with the Governmental Accounting Standards Board ("GASB") Statement 34. Under GASB-34, the City's financial statements include government-wide financial statements, fund financial statements and notes to the financial statements, plus other supplementary information. The Statement of Net Assets includes City assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of City's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure and assessing the liquidity and financial flexibility of the City.

The current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the City's operations over the past year and can be used to determine whether the City has successfully recovered all its costs through its user fees and other charges, and its profitability and credit worthiness.

The Sewer Fund accounts for the City's Wastewater System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank.

The City uses an automated billing and information system from which all customers are billed monthly for utility services. All accounts are billed in arrears and security deposits are required on all new customers. All charges are due upon billing and delinquent if not paid by the tenth day following the billing date. After two months' charges become delinquent, the account is subject to termination under City policy. Write-offs of uncollectible accounts during the last five years have been less than 0.5 percent.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A summary of the City's Statement of Net Assets for the Fiscal Year ended September 30, 2003 and of the Statement of Revenues, Expenses and Changes in Net Assets for its Sewer Fund follows.

Sewer Fund
Statement of Net Assets
(Years Ended September 30)

Assets	2003	2002	2001
Current assets:			
Cash and investments	\$ 0	\$ 0	\$ 34,091
Utility accounts receivable	201,162	93,803	94,254
Less allowance for doubtful accounts	(1,150)	(1,135)	(1,135)
Federal grants receivable	604,357	783,382	0
Noncurrent assets:			
Property and equipment	15,603,278	15,127,903	10,655,396
Less accumulated depreciation	(5,101,369)	(4,699,350)	(4,384,268)
Restricted cash	315,422	315,422	2,095,233
Total Assets	<u>11,621,700</u>	<u>11,620,025</u>	<u>8,493,571</u>
Liabilities:			
Current liabilities:			
Due to other funds	\$ 585,431	\$ 376,226	\$ 0
Accrued leave	14,975	20,937	15,971
Accounts payable	200,972	503,712	51,592
Bonds payable	115,000	110,000	105,000
Capital leases payable	0	29,908	28,396
State of Idaho notes payable	32,301	31,047	29,841
Noncurrent assets:			
Bonds payable	2,640,000	2,755,000	2,865,000
Capital leases payable	0	0	29,908
State of Idaho notes payable	356,229	388,530	419,577
Total Liabilities	<u>3,944,908</u>	<u>4,215,360</u>	<u>3,545,285</u>
Net Assets:			
Invested in capital assets, net of related debt	7,358,379	7,561,752	2,793,406
Unrestricted	2,991	(472,509)	59,647
Restricted for sewer upgrade	0	0	1,779,811
Restricted for debt retirement	315,422	315,422	315,422
Total Net Assets	<u>\$ 7,676,792</u>	<u>\$ 7,404,665</u>	<u>\$ 4,948,286</u>

Source: Audited Financial Statements.

Sewer Fund
Statement of Revenues, Expenses and Changes in Net Assets
(Years Ended September 30)

Revenue:	2003	2002	2002
Service fees	\$ 1,693,775	\$ 994,504	\$ 1,019,357
Interest on investments	0	36,985	152,057
Other	13,485	13,244	12,612
Total Revenues	1,707,260	1,044,733	1,184,026
Operating expenses:			
Salaries	344,270	353,781	306,183
Benefits	122,770	159,134	123,234
Clothing	1,670	0	0
Dues and subscriptions	453	0	0
Travel and training	1,504	4,684	2,393
Office supplies	5,688	2,731	3,467
Maintenance	86,775	75,536	68,254
Utilities and telephone	145,593	126,911	94,641
Fuel	11,081	13,313	13,871
Professional services	6,653	23,633	0
Department supplies	91,133	66,549	65,671
Insurance	40,000	0	0
Depreciation	371,401	315,082	256,222
Administrative services	219,324	188,866	50,000
Services and fees	0	0	10,860
Miscellaneous	0	0	25,336
Lift stations	35,701	0	0
Construction materials	194,255	0	0
Bad debt write offs	1,121	2,115	0
Total Expenses	1,679,392	1,332,335	1,020,132
Operating income (loss)	27,868	(287,602)	163,894
Non-operating revenues (expenses):			
Contingency	0	(4,675)	0
Debt service - interest	(176,065)	(181,966)	(188,929)
Income (loss) before contributions and transfers	(148,197)	(474,243)	(25,035)
Transfers (to) from other funds	0	0	(4,177)
State and federal grants	420,324	2,930,622	1,853,362
Change in Net Assets	272,127	2,456,379	1,824,150
Beginning Net Assets	7,404,665	4,948,286	3,110,351
Prior period adjustment	0	0	13,785
Ending Net Assets	\$ 7,676,792	\$ 7,404,665	\$ 4,948,286

Source: Audited Financial Statements.

**Historic Receipt of State Revenues
(Years Ended September 30)**

Fiscal Year⁽¹⁾	State Sales Tax	State Liquor Fund	State Highway Users Fund⁽³⁾	State Revenue Sharing	Total Revenues from State
2004 ⁽²⁾	NA	\$89,283	\$404,659	\$298,797	\$792,739
2003	\$399,575	84,239	406,310	295,218	1,185,345
2002	393,913	67,391	413,862	296,633	1,171,799
2001	384,485	67,392	448,162	284,810	1,184,849

Source: Audited Financial Statements; Fiscal Year 2004 data provided by the State of Idaho Controller's Office.

(1) Fiscal Years ending September 30.

(2) Preliminary, subject to change.

(3) State constitution limits the use of State Highway revenues to improvements of roads and highways.

**Sewer Fund
Adopted Budget
(Fiscal Year Ending September 30, 2005)**

Sources of Funds		2005
Revenues:		
Sewer charges	\$	1,716,800
Connection fees		74,100
Miscellaneous fees		3,000
Total Sources	\$	1,793,900
Uses of Funds		
Operating expenses:		
Personnel services	\$	388,441
Clothing/uniforms		2,500
Books, subscriptions		295
Memberships		793
Legal notices and publications		522
Travel and meetings		3,000
Training		9,640
Office supplies		3,500
Office equipment		1,300
Computers/software		1,763
Freight and postage		2,000
Vehicle repairs and maintenance		22,000
Equipment repairs and maintenance		26,000
Building supplies and maintenance		7,000
Grounds supplies and maintenance		2,000
Utilities		160,000
Telephone/data/equipment		6,308
Fuel & oils		15,000
Engineering/architectural		29,000
Professional services		500
Facilities operations & maintenance		47,300
Safety equipment		4,100
Water/sewer/garbage/other		2,000
Medical supplies		1,000
Tools and small equipment		6,000
Warehoused materials		6,500
Janitorial supplies		4,000
Chemicals		41,500
Lab supplies		7,000
Land application		5,000
Liability insurance		17,781
Minor construction		8,000
Contract lab		7,992
Admin & PW support		159,776
Capital outlay-ongoing expenses		317,552
Capital outlay-new purchases		26,000
Total Expenditures		1,343,063
Comb. Ending Fund Balance and Contingency		450,837
Total Uses of Funds	\$	1,793,900

Source: Adopted Fiscal Year 2004-2005 Budget

Appendix G

City of Coeur d'Alene

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City of Coeur d'Alene

The City of Coeur d'Alene (the "City") is a political subdivision of the State of Idaho, located in Kootenai County, Idaho, and incorporated in 1887. The City is managed by a Mayor-City Council form of government pursuant to Title 50 of the Idaho Code, as amended.

The City currently employs 320 people.

The following table shows recent City population:

**City of Coeur d'Alene
Historic Population**

July 1 Estimate	Population
2003	37,262
2002	36,480
2001	35,532
2000	34,802
April 1 Census	
2000	34,514



*City of Coeur d'Alene,
Kootenai County*

Source: U.S. Census Bureau, July 10, 2003.

System

The City owns, operates and maintains or controls all the sanitary wastewater transportation and treatment systems within the City limits (the "Wastewater System"). The Wastewater System serves 12,973 customers within the City's boundaries.

Regulatory Compliance. The City is in compliance with all State and federal Environmental Protection Agency ("EPA") and DEQ permits and regulations. The discharge point, effluent limitations, monitoring requirements and other requirements are set forth in NPDES Permit No. ID-002178-4, effective as of September 7, 1999 through September 7, 2004. A renewal application was submitted in March 2004 and has been extended until such time as EPA issues a new permit.

The Project. Proceeds from the City's loan with the Authority will be used to repay DEQ for its [YEAR] loan to the City. The Prior Loan was used to finance all or a portion of certain improvements to its Wastewater System (the "Project"). The Project included, among other things, wastewater treatment plant upgrade and expansion, two trickling filters and pumping station, chemical systems building, additional belt filter press, additional sludge digester, additional solids contact tank and sludge aeration tank. The Project constitutes a "project" as that term is defined in the Wastewater Law.

Accounting. The Wastewater Fund is a separate fund in the City's Annual Financial Report. The Wastewater Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE WASTEWATER FUND IS THE INCOME FUND IN THE LOAN AGREEMENT. See "Financial Factors" herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 04-095 adopted by the City's City Council on October 19, 2004 pursuant to the provisions of the Act. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, dated as of December 1, 2004.

Long-Term Debt Borrowings

The City's Sewer Revenue Refunding Bonds, Series 1995, have a lien on the System Net Revenues that is superior to the lien on the System Net Revenues of the Series 2004 Loan. The City has covenanted in its Loan Agreement that it will not issue additional debt having a superior lien on the System Net Revenues to that of the Series 2004 Loan.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Wastewater Fund</i>				
Sewer Revenue Refunding Bonds ⁽¹⁾	10/01/95	06/01/06	\$ 2,770,000	\$ 705,000
DEQ Loan ⁽²⁾	06/14/95	06/14/15	5,700,000	3,679,368
Less: Prior Loan ⁽²⁾				(3,679,368)
Series 2004 Loan ⁽²⁾	12/01/04	09/01/15	3,560,000	3560,000
DEQ Loan ⁽³⁾	07/16/02	2026	15,000,000	<u>15,000,000</u>
Total Parity Obligations				<u>\$ 19,265,000</u>
<i>Other Enterprise Fund Debt</i>				
Water Revenue Refunding Bonds	10/01/95	06/01/08	\$ 3,380,000	<u>\$ 1,180,694</u>
<i>General Obligation Bonds</i>				
Street Improvement Bonds	03/01/00	09/01/10	\$ 1,500,000	\$ 1,050,000
Street Improvement Bonds	03/02/02	09/01/11	4,115,000	<u>3,580,000</u>
Total Parity Obligations				<u>\$ 4,630,000</u>
<i>Certificates of Participation</i>				
Fire Station	05/01/01	08/01/12	\$ 1,295,000	<u>\$ 1,020,000</u>

(1) Payment of principal and interest on the City's Sewer Revenue Refunding Bonds, Series 1995 has a senior lien on System Net Revenues.

(2) Proceeds of the Series 2004 Loan will be used to pay off the City's Prior Loan.

(3) Preliminary, subject to change, pending completion of the project. The project being financed by DEQ is expected to be completed in calendar year 2006, at which time this loan will be concluded and mature over a 20-year period following project completion.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement

Capital Leases

The City has a capital lease with the Panhandle Area Council for the police station. Lease payments are \$228,175 annually and the final payment is due October 2008.

Future Financings

The City Council has made a motion to request voter approval in February 2005 of a \$10 million general obligation bond for public safety, to refund certain the existing debt, build a new training facility, remodel two fire stations, acquire property, purchase a new truck, and build a new public library. The library is expected to be jointly funded with private donations.

Sewer Obligations Debt Service Requirements

Fiscal Year ⁽¹⁾	Outstanding Senior Lien Debt		Outstanding Parity Debt		Series 2004 Bond Bank Loan		Total Debt
	Sewer Rev. Rfg. Bonds ⁽²⁾		Prior Loan ⁽³⁾				
	Principal	Interest	Principal	Interest	Principal	Interest	Service
2005	\$ 225,000	\$ 34,688	\$ 272,256	\$ 144,479	\$ 305,000	\$ 115,181	\$ 263,134
2006	480,000	24,000	283,256	133,480	270,000	145,950	503,214
2007	0	0	294,699	122,036	280,000	137,850	1,114
2008	0	0	306,605	110,131	290,000	129,450	2,714
2009	0	0	318,992	97,744	295,000	120,750	(986)
2010	0	0	331,879	84,856	310,000	106,000	(736)
2011	0	0	345,287	71,449	325,000	90,500	(1,236)
2012	0	0	359,237	57,499	345,000	74,250	2,514
2013	0	0	373,750	42,986	360,000	57,000	264
2014	0	0	388,849	27,886	380,000	39,000	2,264
2015	0	0	404,559	12,177	400,000	20,000	3,264
	<u>\$ 705,000</u>	<u>\$ 58,688</u>	<u>\$ 3,679,368</u>	<u>\$ 904,723</u>	<u>\$ 3,560,000</u>	<u>\$ 1,035,931</u>	<u>\$ 775,528</u>

(1) Fiscal years ending September 30.

(2) Payment of principal and interest on the City's Sewer Revenue Refunding Bonds, Series 1995 has a senior lien on System Net Revenues.

(3) Prior Loan to be refunded by the Series 2004A Bond Bank Loan.

Source: Audited Financial Statement for the Year Ended September 30, 2003.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto. The City failed to file its CAFR for the Fiscal Year that ended September 30, 2003 with the NRMSIRs by June 30, 2004. The City intends to cause its CAFR to be filed on November 10, 2004. The City has not failed to comply with any other continuing disclosure undertaking in the past five years.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2004 Loan.

Financial Factors

Financial Reporting

The City's auditor, Magnuson, McHugh & Company, P.A., CPAs, Coeur d'Alene, Idaho, opined that the general purpose financial statements and the results of its operations and cashflows of its proprietary funds for the years ended September 30, 2001 and 2002, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. Magnuson, McHugh & Company, P.A. was not requested to review this Official Statement.

The City, in conjunction with Magnuson, McHugh & Company, P.A., CPAs, is completing the 2003 audited financial statements. The financial statements, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. The City produces a Comprehensive Annual Financial Report ("CAFR") and the challenge producing the CAFR for 2003 is due to the changes in financial reporting as directed by the Government Accounting Standards Board.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The Wastewater Fund is an enterprise fund. It accounts for the City's Wastewater System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank. The City also has a Wastewater Property Management Fund that is used to account for rental income and building maintenance expenses for the wastewater division building and a Sanitation Utility Fund that is used to provide for the collection and disposition of solid wastes.

The City completed a Wastewater Cost-of-Service Rated Study in November 2002. It was adopted by the City Council and includes escalating user charges over a 5-year period. There are two residential customer rates. Using data from the winter month billing cycle (December-January or January-February), residential accounts, including duplexes, with water usage greater the 5,000 gallons will be placed in the residential class. Those accounts using 5,000 gallons or less during the same period will be place in the residential-low class.

The monthly bill to the residential accounts will comprise two parts: a monthly service charge per meter to recover administration, billing, and other costs; and a usage charge per thousand gallons to recover the remaining costs. The monthly service charge and usage charge are annually adjusted based on the water usage calculation from the winter billing. The residential rates are all flat.

There are three commercial customer classifications. These classifications are based on the strength of the domestic waste as reported in the California Revenue Program Guidelines. The monthly bill to the commercial accounts comprises two parts: a monthly service charge per meter to recover administration, billing and others, and a usage charge per thousand gallons of water used to recover the remaining costs.

The City also operates a water utility for its constituents. In the event that a sewer bill becomes delinquent, the water can be turned off in order to assist in collecting the past due bill.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A three-year summary of the City's Wastewater Fund Balance Sheet and Statement of Revenues, Expenses and Changes in Retained Earnings follows.

**Wastewater Fund
Balance Sheet
(Years Ending September 30)**

	2003 Unaudited ⁽¹⁾	2002	2001
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,952,886	\$ 4,967,340	\$ 5,601,513
Receivables:			
Accounts receivable, net of allowance for uncollectibles	546,035	528,843	507,134
Interest receivable	0	13,724	39,684
Special assessments receivable	142,179	0	0
Due from other governments	5,677	21,977	10,109
Due from other funds	305,000	220,000	0
Total current assets	<u>5,951,777</u>	<u>5,751,884</u>	<u>6,158,440</u>
Restricted Assets:			
Bond issuance cost, net of amortization	13,244	17,659	22,073
Bond discount, net of amortization	9,432	12,575	15,719
Total restricted assets	<u>22,676</u>	<u>30,234</u>	<u>37,792</u>
Capital Assets:			
Land	1,458,224	0	0
Equipment	1,379,904	0	0
Collection	25,455,567	0	0
Plant and Equipment	0	56,088,909	54,330,259
Less accumulated depreciation	0	(14,676,238)	(13,445,569)
Plant	29,615,664	0	0
Improvements, less acc. Depreciation	(15,658,098)	0	0
Total capital assets	<u>42,251,261</u>	<u>41,412,671</u>	<u>40,884,690</u>
Total Assets	<u>\$ 48,225,714</u>	<u>\$ 47,194,789</u>	<u>\$ 47,080,922</u>
Liabilities and Equity			
Current liabilities:			
Accounts payable	\$ 91,535	\$ 203,721	\$ 285,229
Compensated absences	154,608	140,487	135,478
Current portion of long-term debt	464,639	442,003	419,883
Accrued interest	61,546	67,527	73,307
Total current liabilities	<u>772,328</u>	<u>853,738</u>	<u>913,897</u>
Long-term liabilities:			
Bonds payable	<u>4,368,626</u>	<u>4,833,265</u>	<u>5,275,268</u>
Total long-term liabilities	<u>4,368,626</u>	<u>4,833,265</u>	<u>5,275,268</u>
Total liabilities	<u>5,140,954</u>	<u>5,687,003</u>	<u>6,189,165</u>
Net assets			
Contributed capital			
Invested in fixed assets, net of related costs	37,882,635		
Unreserved	<u>5,202,125</u>		
Total net assets	<u>43,084,760</u>		
Contributed capital		30,917,883	30,536,360
Retained earnings:			
Unreserved		10,589,903	10,355,397
Total equity		<u>10,589,903</u>	<u>10,355,397</u>
Total liabilities and equity	<u>\$ 48,225,714</u>	<u>\$ 41,949,789</u>	<u>\$ 41,311,640</u>

(1) Unaudited information, subject to change. The City implemented GASB-34 commencing with Fiscal Year 2003.

Source: Audited Financial Statements and City Finance Staff.

Wastewater Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
Statement of Revenues, Expenses and Changes in Net Assets
(Years Ending September 30)

	2004 Projections ⁽¹⁾	2003 Unaudited ⁽¹⁾	2002	2001
Operating revenues:				
Service fees	\$ 4,640,818	\$ 3,905,187	\$ 3,606,482	\$ 3,542,508
Expenses:				
Administration	539,188	522,228	535,286	526,592
Treatment	1,244,320	1,285,326	1,175,043	929,566
Collection	406,327	364,891	376,735	397,888
Depreciation	1,350,000	1,312,686	1,271,737	1,209,491
Bad debt expense	2,722	0	2,814	5,196
Total operating expenses	3,542,557	3,485,131	3,361,615	3,068,733
Operating income (loss)	1,098,261	420,056	244,867	473,775
Nonoperating revenues (expenses):				
Gain on sale of fixed assets	0	0	21	206
Capitalization fees	2,015,888	1,027,664	609,227	942,924
Intergovernmental	0	5,677	0	0
Amortization	(22,078)	(22,078)	(24,432)	(26,665)
Investment income	98,341	105,424	149,830	301,351
Interest expense	(193,396)	(213,357)	(232,099)	(250,076)
Total nonoperating revenues (expenses)	1,898,755	903,330	502,547	967,740
Income (loss) before operating transfers	2,997,016	1,323,386	747,414	1,441,515
Contributed capital	0	973,418	37,092	0
Operating transfers in	0	0	0	17,295
Operating transfers out	(575,000)	(577,000)	(550,000)	(447,958)
Net income (loss)	2,422,016	1,719,804	234,506	1,010,852
Cumulative effect in change in accounting principle	0	(142,830)		
Retained earnings, beginning of year	10,589,903	10,589,903	10,355,397	9,344,545
Retained earnings, end of year	\$ 13,011,919	\$ 12,166,877	\$ 10,589,903	\$ 10,355,397
Net assets, beginning of year	43,084,760	41,507,786		
Net assets, end of year	\$ 45,506,776	\$ 43,084,760		

(1) Unaudited information, subject to change. The City implemented GASB-34 commencing with Fiscal Year 2003.

Source: Audited Financial Statements and City Finance Staff.

**Historic Receipt of State Revenues
(Years Ending September 30)**

Fiscal Year	State Liquor Fund	State Highway Users Fund	State Revenue Sharing	Total Revenues from State
2004 ⁽¹⁾	\$555,855	\$1,397,720	\$1,391,736	\$3,345,311
2003	470,402	1,369,598	1,309,853	3,149,853
2002	386,972	1,370,961	1,303,311	3,061,244
2001	387,344	1,295,471	1,251,654	2,934,469
2000	321,399	1,432,336	1,274,239	3,027,974

Sources: Audited Financial Statements.

**Adopted Budget
(Fiscal Years Ended September 30)**

Sources of Funds	2004-05	2003-04
Operating revenues:		
Service charges	\$ 4,390,851	\$ 4,111,636
Miscellaneous fees	1,041,990	1,029,307
Total operating revenues	<u>5,432,841</u>	<u>5,140,943</u>
Nonoperating revenues:		
Loan	2,600,000	8,125,930
Interest	96,272	129,426
Total nonoperating revenues	<u>2,696,272</u>	<u>8,255,356</u>
Total Revenues	8,129,113	13,396,299
Combined Beginning Fund Balance	4,813,595	4,314,209
Total Sources	<u>\$ 12,942,708</u>	<u>\$ 17,710,508</u>
Uses of Funds		
Operating expenses:		
Personnel services	\$ 1,596,734	\$ 1,480,633
Materials and services	3,547,331	3,438,986
Capital outlay	<u>4,635,822</u>	<u>10,488,451</u>
Total operating expenses	9,779,887	15,408,070
Capitalized staff budget	<u>0</u>	<u>0</u>
Total Operating and capitalized staff budget	9,779,887	15,408,070
Total Expenditures	9,779,887	15,408,070
Total Revenues over (under) expenditures	<u>3,162,821</u>	<u>2,302,438</u>
Total Uses of Funds	<u>\$ 12,942,708</u>	<u>\$ 17,710,508</u>

Source: Adopted Fiscal Year 2004-2005 Budget

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Appendix H

City of Driggs

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City of Driggs

The City of Driggs (the “City”) is a political subdivision of the State of Idaho, located in Teton County, Idaho, and incorporated in 1916. The City is managed by a Mayor-City Council form of government pursuant to Title 50 of the Idaho Code, as amended.

The City currently employs 6 people.

The following table shows recent City population:

**City of Driggs
Historic Population**

July 1 Estimate	Population
2003	1,133
2002	1,147
2001	1,117
2000	1,107
April 1 Census	
2000	1,100



*City of Driggs,
Teton County*

Source: U.S. Census Bureau.

System

The City owns, operates and maintains or controls all the sanitary wastewater transportation and treatment systems within the City limits (the “Wastewater System”). The Wastewater System serves 624 accounts within the City’s boundaries and residents within the neighboring City of Victor.

The City has an intergovernmental agreement, which is renewed annually, with the City of Victor. In accordance with the current intergovernmental agreement, the City bills the City of Victor quarterly for sewer services, based on flow usage. In Fiscal Year 2004, the City received \$53,888 from the City of Victor and has budgeted to receive \$56,900 in Fiscal Year 2005.

Regulatory Compliance. In a letter to the City dated April 3, 2000, the United States Environmental Protection Agency confirmed that the City is meeting its NPDES permit requirements and the City has confirmed that it is currently in compliance with its NPDES Permit #ID-002014-1, which expires in 2006.

The Project. Proceeds from the City’s loan with the Authority will be used to repay DEQ for its 2001 loan to the City. The Prior Loan was used to refinance a short-term note with a long-term note. Proceeds of the short-term note were used to finance all or a portion of certain improvements to its Wastewater System (the “Project”). The Project included, among other things, wastewater treatment plant improvements, an interceptor line and related items. The Project constitutes a “project” as that term is defined in the Wastewater Law.

Accounting. The Sewer Fund is a separate fund in the City’s Annual Financial Statements. The Sewer Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE SEWER FUND IS THE INCOME FUND IN THE LOAN AGREEMENT. See “Financial Factors” herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 102-04) passed by the City's City Council and approved by the Mayor on October 5, 2004 pursuant to the provisions of the Act. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, to be dated as of December 1, 2004.

Long-Term Debt Borrowings

The City's Water/Sewer Revenue Bond, Series 1996, has a lien on the System Net Revenues that is superior to the lien on the System Net Revenues of the Series 2004 Loan.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Combined Water/Sewer Proprietary Fund</i>				
Water/Sewer Revenue Bond, Series 1996 ⁽¹⁾	11/14/96	11/14/26	\$ 500,000	\$ 438,239
Prior Loan, Series 2001 ⁽²⁾	02/01/01	02/01/21	1,150,000	1,014,951
Less: Prior Loan				(1,014,951)
Series 2004 Loan ⁽²⁾	12/01/04	09/01/21	1,005,000	1,005,000
Water/Sewer Revenue Bond (Rural Dev.) ⁽³⁾	11/18/04	11/18/34	500,000	500,000
Water/Sewer Revenue Bond (DEQ) ⁽³⁾	2004	2024	650,000	650,000
Total Water/Sewer Proprietary Fund Debt				<u>\$ 2,593,239</u>
<i>Other Debt</i>				
Shop Land Note	03/02	03/10/11	\$ 48,000	\$ 31,192
Total Other Debt				<u>\$ 31,192</u>

(1) Payment of principal and interest on the City's Water/Sewer Revenue Bond, Series 1996 has a senior lien on System Net Revenues to that of the Series 2004 Loan.

(2) Proceeds of the Series 2004 Loan will be used to pay off the City's Prior Loan.

(3) The City is in the process of issuing two voter-approved revenue bonds, both of which will be payable from its combined water-sewer proprietary fund. The new issues will be on a parity of lien basis with each other and with the City's Series 2004 Loan.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement

Future Financings

The City is in the process of issuing two voter-approved water revenue bonds and does not have any plans at this time to issue other additional debt in the next 12 months.

Sewer Fund Obligations Debt Service Requirements

Fiscal Year ⁽¹⁾	Outstanding Senior Lien Debt		Outstanding Parity Debt		Series 2004 Loan ⁽³⁾		Total Debt Service
	Sewer Revenue Bonds, Series 1996		Prior Loan ⁽²⁾				
	Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$ 10,618	\$ 21,912	\$ 42,609	\$ 45,199	\$ 55,000	\$ 32,014	\$ 31,736
2006	11,149	21,381	44,548	43,260	45,000	41,310	31,032
2007	11,706	20,824	46,575	41,233	45,000	39,960	29,682
2008	12,292	20,238	48,695	39,113	50,000	38,610	33,332
2009	12,906	19,624	50,911	36,897	50,000	37,110	31,832
2010	13,552	18,978	53,228	34,580	50,000	34,610	29,332
2011	14,229	18,301	55,650	32,158	55,000	32,110	31,832
2012	14,941	17,589	58,182	29,626	55,000	29,360	29,082
2013	15,688	16,842	60,830	26,978	60,000	26,610	31,332
2014	16,472	16,058	63,598	24,210	65,000	23,610	33,332
2015	17,296	15,234	66,492	21,316	65,000	20,360	30,082
2016	18,160	14,370	69,518	18,290	70,000	17,110	31,832
2017	19,069	13,461	72,680	15,128	70,000	13,610	28,332
2018	20,022	12,508	75,989	11,819	75,000	10,950	30,672
2019	21,023	11,507	79,447	8,361	80,000	7,950	32,672
2020	22,074	10,456	83,061	4,747	80,000	4,750	29,472
2021	23,178	9,352	42,938	966	35,000	1,470	25,096
2022	24,337	8,193	0	0	0	0	32,530
2023	25,554	6,976	0	0	0	0	32,530
2024	26,831	5,699	0	0	0	0	32,530
2025	28,173	4,357	0	0	0	0	32,530
2026	29,582	2,948	0	0	0	0	32,530
2027	29,387	1,469	0	0	0	0	30,856
	<u>\$ 438,239</u>	<u>\$ 308,277</u>	<u>\$ 1,014,951</u>	<u>\$ 433,881</u>	<u>\$ 1,005,000</u>	<u>\$ 411,504</u>	<u>\$ 714,188</u>

NOTE: The City is in the process of issuing two voter-approved revenue bonds, both of which will be payable from its combined water-sewer proprietary fund. The new issues will be on a parity of lien basis with each other and with the City's Series 2004 Loan, and will be subordinate to the City's Water/Sewer Revenue Bond, Series 1996. The above table does *not* include debt service for the new revenue bonds as these issues are still in process.

(1) Fiscal Years ending September 30.

(2) Prior Loan to be refunded by the Series 2004A Bond Bank Loan.

Source: Audited Financial Statement for the Year Ended September 30, 2003.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto. The City has not failed to comply with any continuing disclosure undertaking in the past five years.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2004 Loan.

Financial Factors

Financial Reporting

The City's auditor, Rudd & Company PLLC, CPAs, Rexburg, Idaho, opined that the general purpose financial statements and the results of its operations and cashflows of its proprietary funds for the years ended September 30, 2001, 2002 and 2003, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. Rudd & Company PLLC was not requested to review this Official Statement.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The Sewer Fund is an enterprise fund. It accounts for the City's Wastewater System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank.

Invoices for water and sewer services are circulated on the first business day of each month. Payment is due by the fifteenth calendar day of the same month. Late payment notices are sent out within two days if payment has not been received by the City. By the twenty-third day of the month, a door-knocker notice is posted if payment is still not received. Accounts are considered delinquent when they are more than 30 calendar days overdue. Service on delinquent accounts is required under the City's Resolution No. 93, dated April 6, 2004, to be terminated.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A three-year summary of the City's Balance Sheet and Statement of Revenues, Expenses and Changes in Retained Earnings follows.

Sewer Fund
Statement of Net Assets
(Fiscal Years Ended September 30)

	2003	2002	2001
Assets			
Current assets:			
Cash and cash equivalents	\$ 909,061	\$ 722,467	\$ 721,590
Receivables:			
Utility accounts	20,366	8,724	16,142
Interfund receivables	4,909	4,909	4,909
Property, plant and equipment	2,018,145	2,018,144	1,933,826
Accumulated depreciation	<u>(310,194)</u>	<u>(243,939)</u>	<u>(177,911)</u>
Total Assets	<u>\$ 2,642,288</u>	<u>\$ 2,510,305</u>	<u>\$ 2,498,556</u>
Liabilities and Fund Equity			
Liabilities			
Accruals and other current liabilities	\$ 27,018	\$ 27,192	\$ 27,825
Current portion of long-term debt:	47,495	45,780	23,648
Notes payable	1,030,547	1,074,155	1,115,413
Bonds payable	<u>219,199</u>	<u>224,175</u>	<u>228,959</u>
Total restricted liabilities	<u>1,324,259</u>	<u>1,371,302</u>	<u>1,395,845</u>
Fund Equity:			
Contributed capital	857,000	857,000	857,000
Retained earnings:			
Reserved	0	0	16,589
Unreserved	<u>461,108</u>	<u>282,003</u>	<u>229,122</u>
Total equity	<u>1,318,108</u>	<u>1,139,003</u>	<u>1,102,711</u>
Total liabilities and equity	<u>\$ 2,642,367</u>	<u>\$ 2,510,305</u>	<u>\$ 2,498,556</u>

Source: Audited Financial Statements.

Sewer Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
(Fiscal Years Ended September 30)

	2003	2002	2001
Operating revenues:			
Service fees	\$ 396,953	\$ 234,505	\$ 284,792
Other	5,200	13,933	58,904
Total operating revenues	<u>402,153</u>	<u>248,438</u>	<u>343,696</u>
Operating expenses:			
Utilities	121,744	103,745	98,654
Depreciation	66,255	66,028	63,650
Total operating expenses	<u>187,999</u>	<u>169,773</u>	<u>162,304</u>
Total operating income	<u>214,154</u>	<u>78,665</u>	<u>181,392</u>
Nonoperating revenues (expenses):			
Interest earned	25,421	19,240	20,882
Interest expense	(60,471)	(61,613)	(44,388)
Total nonoperating revenues (expenses)	<u>(35,051)</u>	<u>(42,373)</u>	<u>(23,506)</u>
Net Income	179,103	36,292	157,886
Retained Earnings, beginning of year	<u>282,005</u>	<u>245,711</u>	<u>87,825</u>
Retained Earnings, end of year	<u>\$ 461,108</u>	<u>\$ 282,003</u>	<u>\$ 245,711</u>

NOTE: The City currently expects revenues, expenses and Net Income as of September 30, 2004 to be \$336,120, \$496,163, and (\$160,042). This includes capital expenditures of \$167,269.

Source: Audited Financial Statements.

Historic Receipt of State Revenues
(Years Ended September 30)

Fiscal Year ⁽¹⁾	State Sales Tax	State Liquor Fund	State Highway Users Fund ⁽⁴⁾	State Revenue Sharing	Other State Revenues	Total Revenues from State
2004 ⁽²⁾	\$ 22,000	\$69,901	\$43,913	\$46,764	\$ 0	\$182,578
2003	180,705 ⁽³⁾	73,281	43,585	42,774	30,462	370,807
2002	177,345 ⁽³⁾	46,561	43,694	40,236	10,000	317,836
2001	116,802 ⁽³⁾	42,201	43,444	36,467	10,694	249,608
2000	30,176	40,096	40,773	34,685	1,268	146,998

(1) Fiscal Years ended September 30.

(2) Unaudited, subject to change.

(3) Audit included dedicated non-property tax receipts for street improvements. In Fiscal Year 2003, the non-property tax receipts were \$150,000.

(4) State constitution limits the use of State Highway revenues to improvements of roads and highways.

Sources: Audited Financial Statements; Fiscal Year 2004 projection provided by City staff.

**Sewer System -- Adopted Budget
(Fiscal Year Ending September 30, 2005)**

Sources of Funds		2004-2005
Revenues:		
Sewer service	\$	248,303
City of Victor sewer fees		56,900
Wastewater Reserve Fund		100,000
Interest income		6,000
Total Sources	\$	<u>411,203</u>
Uses of Funds		
Sewer System		
Salaries	\$	61,178
Benefits		9,360
Retirement		6,730
Workers compensation		1,000
Radio services		2,000
Legal and audit		6,600
ICRMP (1/4)		4,000
Insurance		9,070
Postage and supplies		2,500
Parts and repairs		20,000
Bond service		16,265
Backhoe payment (1/4)		3,000
Shop maintenance (1/2)		8,000
Training and travel		3,500
Land purchase		3,581
City Hall payment		14,817
Total Sewer System		<u>171,601</u>
Wastewater Treatment Plant		
Bond interest	\$	88,000
Electricity		15,000
Lab tests		6,000
Backhoe payment		3,000
Parts and repairs		10,000
WWTP study		17,602
City Hall project		100,000
Total Wastewater Treatment Plant		<u>239,602</u>
Total Uses of Funds	\$	<u>411,203</u>

Source: Adopted Fiscal Year 2004-2005 Budget.

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Appendix I

City of Gooding

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City of Gooding

The City of Gooding (the “City”) is a political subdivision of the State of Idaho, located in Gooding County, Idaho, and was incorporated in 1913. The City is managed by a Mayor-City Council form of government pursuant to Title 50 of the Idaho Code, as amended.

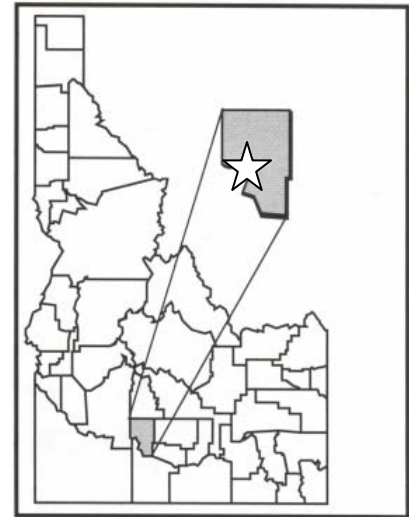
The City currently employs 40 people.

The following table shows recent City population:

Historic Population

July 1 Estimate	Population
2003	3,323
2002	3,322
2001	3,347
2000	3,386
April 1 Census	
2000	3,384

Source: U.S. Census Bureau, July 10, 2003.



*City of Gooding,
Gooding County*

System

The City owns, operates and maintains or controls all the wastewater collection and treatment systems within the City limits (the “System”). The System serves 1,500 accounts within the City’s boundaries, which has remained stable for the last five years.

Regulatory Compliance. The City is in compliance with its NPDES permit (Permit #ID0020028), which expires on May 1, 2005. At the present time, this is the only permit required for the City’s Wastewater System.

The Project. Proceeds from the City’s loan with the Authority will be used to repay DEQ for its 1995 and 1998 loans to the City. The Prior Loans were used to finance all or a portion of certain improvements to its System (collectively, the “Project”). The Project included, among other things, rehabilitation and repair of lift pump stations, treatment plant modifications, construction, rehabilitation and replacement of sewer collection lines. The Project constitutes a “project” as that term is defined in the Wastewater Law.

Accounting. The Sewer Fund is a separate fund in the City’s Annual Financial Report. The Sewer Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE SEWER FUND IS THE INCOME FUND IN THE LOAN AGREEMENT. See “Financial Factors” herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 180) adopted by the City's City Council on October 4, 2004 pursuant to the provisions of the Act. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, dated as of December 1, 2004.

Long-Term Debt Borrowings

Following repayment of the Prior Loan and execution of the Loan Agreement, the City will not have any debt outstanding that has a lien on the System Revenues, other than the Series 2004 Loan.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Sewer Fund Obligations</i>				
DEQ Loan, 1893-01 ⁽¹⁾	03/20/95	03/20/15	\$ 776,040	\$ 491,528
DEQ Loan, 1895-04 ⁽¹⁾	10/01/98	10/01/18	500,000	393,377
Less: Prior Loan ⁽¹⁾				(884,904)
Series 2004 Loan ⁽¹⁾	12/01/04	09/01/18	855,000	<u>855,000</u>
Total Sewer Fund Debt				<u>\$ 855,000</u>
<i>Capital Leases</i>				
Police Car Lease	04/01/04	04/01/08	\$ 39,836	\$ 31,372
Fire Equipment Lease	12/19/03	02/01/09	148,428	<u>148,428</u>
Total Capital Leases				<u>\$ 179,800</u>

(1) Proceeds of the Series 2004 Loan will be used to pay off the City's Prior Loans.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement

Future Financings

The City has no current plans to issue debt in the next year.

**Sewer Fund Obligations
Debt Service Requirements**

Fiscal Year Ending Sept. 30	Series 2004 Loan		Total Debt Service
	Principal	Interest	
2005	\$ 70,000	\$ 27,398	\$ 97,398
2006	60,000	34,780	94,780
2007	60,000	32,980	92,980
2008	65,000	31,180	96,180
2009	65,000	29,230	94,230
2010	70,000	25,980	95,980
2011	70,000	22,480	92,480
2012	75,000	18,980	93,980
2013	80,000	15,230	95,230
2014	85,000	11,230	96,230
2015	55,000	6,980	61,980
2016	30,000	4,230	34,230
2017	35,000	2,730	37,730
2018	35,000	1,400	36,400
	<u>\$ 855,000</u>	<u>\$ 264,808</u>	<u>\$ 1,119,808</u>

Source: Audited Financial Statement for the Year Ended September 30, 2003 and DEQ loan documents.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto. The City does not have any continuing disclosure undertakings on outstanding debt.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2004 Loan.

Financial Factors

Financial Reporting

The City's auditor, Jones, Spackman, Basterrechea & France, Chartered, CPAs, Gooding, Idaho, opined that the general purpose financial statements and the results of its operations and cashflows of its proprietary funds for the years ended September 30, 2001, 2002 and 2003, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. Jones, Spackman, Basterrechea & France, Chartered, was not requested to review this Official Statement.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The Sewer Fund accounts for the City's System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank.

Pursuant to the City's Ordinance No. 538 passed by the City Council and approved by the Mayor on May 3, 1982, all monthly sewer charges are required to be due and payable to the City between the first and tenth day of each month for the billing from the previous cycle. For new construction, the monthly service connection has been inspected and approved or when the building being served is substantially completed, whichever is the latest date. Each account is required to pay the greater of \$1 or 10 percent of charges due in upon failure to pay when due.

If a sewer user has not paid the monthly charges by the tenth day of the month, it shall be deemed delinquent; provided if the charges are not paid within 10-days after the delinquency notice, the greater of an additional penalty of \$1.50 or 15 percent of charges due will be added to the account. All delinquent charges or fees not paid after the final determination of the sewer user's account shall be imposed as a lien against and upon the property or premises against which such charge or fee is levied or assessed, and the City Clerk shall, at the time of certifying the City taxes, certify such delinquencies together with all penalties to the Tax Collector of Gooding County and, when so certified, the same shall be a lien upon the property and will be collectible as other taxes.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A three-year summary of the City's financial reports for its Sewer Fund, plus unaudited information for Fiscal Year 2004, follows.

Sewer Fund
Balance Sheet and Statement of Net Assets
(Years Ended September 30)

Assets	2004 ⁽¹⁾	2003	2002	2001
Current assets:				
Cash	\$ 3,070	\$ 219,693	\$ 339,212	\$ 424,703
Time deposits	223,933	128,617	0	0
Accrued Interest	1,014	0	0	4,449
Restricted assets:				
Cash	115,461	115,461	115,461	115,461
Total current assets	<u>343,479</u>	<u>463,771</u>	<u>454,673</u>	<u>544,613</u>
Noncurrent assets:				
Construction in progress	5,032	5,032	0	0
Property, plant & equipment	4,558,511	4,558,512	4,558,512	4,442,750
Less: accumulated depreciation	<u>(1,511,022)</u>	<u>(1,511,021)</u>	<u>(1,391,438)</u>	<u>(1,272,672)</u>
Total noncurrent assets	<u>3,052,522</u>	<u>3,052,523</u>	<u>3,167,074</u>	<u>3,170,078</u>
Total Assets	<u>\$ 3,396,000</u>	<u>\$ 3,516,294</u>	<u>\$ 3,621,747</u>	<u>\$ 3,714,691</u>
Liabilities and Equity				
Liabilities:				
Accounts payable	\$ 5,385	\$ 32,863	\$ 25,277	\$ 22,331
Notes payable-State of Idaho	940,627	940,627	993,926	1,044,904
Accrued interest payable	1,978	1,978	2,149	2,230
Compensated absences	<u>6,161</u>	<u>6,161</u>	<u>4,123</u>	<u>4,123</u>
Total liabilities	<u>954,151</u>	<u>981,629</u>	<u>1,025,475</u>	<u>1,073,588</u>
Equity:				
Contributed capital			2,910,507	2,906,429
Reserved			97,432	97,432
Unreserved			<u>(411,667)</u>	<u>(362,758)</u>
Total equity			<u>2,596,272</u>	<u>2,641,103</u>
Total liabilities and equity			<u>\$ 3,621,747</u>	<u>\$ 3,714,691</u>
Net Assets:				
Invested in capital assets, net of related debt	2,910,507	2,111,896		
Restricted	97,432	97,432		
Unrestricted	<u>(566,090)</u>	<u>325,337</u>		
Total net assets	<u>2,441,849</u>	<u>2,534,665.0</u>		
Total Liabilities and Net Assets:	<u>\$ 3,396,000</u>	<u>\$ 3,516,294</u>	<u>\$ 3,621,747</u>	<u>\$ 3,714,691</u>

(1) Unaudited. Preliminary, subject to change.

NOTE: The City conformed to GASB-34 in Fiscal Year 2003.

Source: Audited Financial Statements.

Sewer Fund
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Revenues, Expenses and Changes in Retained Earnings
(Years Ended September 30)

	Statement of Rev., Exp. and Changes in Net Assets		Statement of Revenues, Expenses and Changes in Retained Earnings		
	2004 ⁽¹⁾	2003	2003 ⁽²⁾	2002	2001
Operating revenues:					
Service fees	\$ 300,274	\$ 297,461	\$ 297,461	\$ 295,575	\$ 296,170
Hook-up fees	600	2,450	2,450	1,400	1,000
Miscellaneous	413	8,068	8,068	0	521
Total operating revenues	<u>301,287</u>	<u>307,979</u>	<u>307,979</u>	<u>296,975</u>	<u>297,690</u>
Operating expenses:					
Salaries and Benefits	124,331	121,848	121,848	123,138	94,265
Supplies and other expenses	233,601	90,181	90,181	68,469	65,342
Depreciation	0	119,583	119,583	118,767	117,071
Total operating expenses	<u>357,931</u>	<u>331,612</u>	<u>331,612</u>	<u>310,373</u>	<u>276,678</u>
Operating income	<u>(56,644)</u>	<u>(23,633)</u>	<u>(23,633)</u>	<u>(13,398)</u>	<u>21,012</u>
Nonoperating revenues (expenses):					
Earnings on investments	5,537	5,986	5,986	10,861	28,775
Interest expense	<u>(41,708)</u>	<u>(43,962)</u>	<u>(43,962)</u>	<u>(46,373)</u>	<u>(48,555)</u>
Total nonoperating revenues (expenses)	<u>(36,171)</u>	<u>(37,976)</u>	<u>(37,976)</u>	<u>(35,512)</u>	<u>(19,780)</u>
Income before contributions	(92,816)	(61,609)	(61,609)	(48,910)	1,232
Retained earnings, beginning of year			<u>(314,235)</u>	<u>(265,325)</u>	<u>(266,557)</u>
Retained earnings, end of year			\$ (375,844)	\$ (314,235)	\$ (265,325)
Total net assets, beginning of year	<u>2,534,665</u>	<u>2,596,274</u>			
Total net assets, end of year	\$ 2,441,849	\$ 2,534,665			

(1) Unaudited. Preliminary, subject to change.

(2) Non-GAAP, budgetary basis.

NOTE: The City conformed to GASB-34 in Fiscal Year 2003.

Source: Audited Financial Statements.

Historic Receipt of State Revenues
(Years Ended September 30)

Fiscal Year ⁽¹⁾	State Sales Tax	State Liquor Fund	State Highway Users Fund ⁽³⁾	Total Revenue from State
2004 ⁽²⁾	\$217,963	\$24,935	\$127,487	\$370,385
2003	216,229	24,290	130,986	371,505
2002	210,872	24,290	134,941	370,103
2001	207,103	24,290	142,554	373,947
2000	204,567	24,290	138,608	367,465

(1) Fiscal Years ended September 30.

(2) Preliminary, subject to change.

(3) State constitution limits the use of State Highway revenues to improvements of roads and highways.

Sources: Audited Financial Statements and Fiscal Year 2004 projections from City staff.

Adopted Budget
(Fiscal Year Ending September 30, 2005)

Sources of Funds		2005
Sewer monthly billing	\$	298,000
Sewer hook-ups		2,000
Miscellaneous revenue		800
Interest on investments		7,000
Grant		20,000
Total Revenues		327,800
Carryover		131,200
Total Sources	\$	459,000
Uses of Funds		
Operating expenses:		
Salaries and Benefits	\$	131,900
Supplies		20,000
Office expenses		4,000
Motor Fuel		5,000
Sewer tests		4,500
Insurance		3,500
Schools/training/travel		1,200
Grant		20,000
Interest paid on DEQ loan		42,500
DEQ Loan 1893-01		35,600
DEQ Loan 1895-04		19,600
Custodian - Contract		1,200
Utilities		34,000
Repairs and maintenance		12,000
Vehicle maintenance and repair		2,000
DIG line		400
Drug testing		200
Miscellaneous		1,400
River wall project		20,000
Improvements		100,000
Total Uses of Funds	\$	459,000

Source: Adopted Fiscal Year 2004-2005 Budget

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Appendix J

City of McCall

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City of McCall

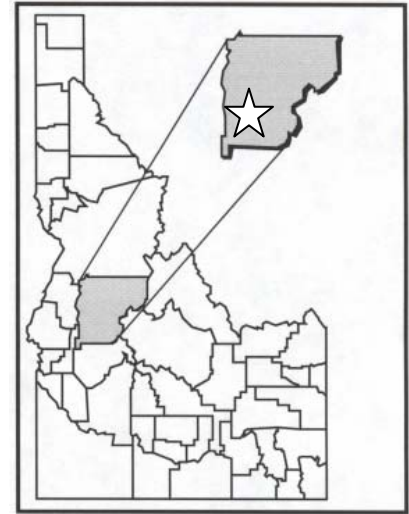
The City of McCall (the “City”) is a political subdivision of the State of Idaho, located in Valley County, Idaho, and was incorporated in 1911. The City is managed by a City Council-City Manager form of government pursuant to Title 50 of the Idaho Code, as amended.

The City currently employs 65 people.

The following table shows recent City population:

Historic Population

July 1 Estimate	Population
2003	2,207
2002	2,110
2001	2,117
2000	2,094
April 1 Census	
2000	2,084



*City of McCall,
Valley County*

Source: U.S. Census Bureau, June 24, 2004

System

The City owns, operates and maintains or controls all the sanitary sewer transportation and treatment systems within the City limits (the “Sewer System”). The Sewer System serves 2,108 customers within the City’s boundaries. From 2002 to 2004 the number of customers grew by 327 due to development of the year-round Tamarack Resort.

Regulatory Compliance. The City is in compliance with EPA requirements pursuant to its NPDES Permit No. ID-002023-1 for its Wastewater Treatment Plant. The permit expires on April 30, 2008.

The Project. Proceeds from the City’s loan with the Authority will be used to repay DEQ for its 2001 loan to the City. The Prior Loan was used to finance all or a portion of certain improvements to its Sewer System (the “Project”). The Project included, among other things, design and construction of improvements to the existing Sewer treatment facility, effluent storage reservoir, pump station and pipelines to farms south of the City, and improvements to farm irrigation systems.

Accounting. The Sewer Fund is a separate fund in the City’s Annual Financial Report. The Sewer Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE SEWER FUND IS CALLED THE INCOME FUND IN THE LOAN AGREEMENT. See “Financial Factors” herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 04-15) adopted by the City's City Council on October 18, 2004. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, dated as of December 1, 2004.

Long-Term Debt Borrowings

Following repayment of the Prior Loan and execution of the Loan Agreement, the City will not have any debt outstanding that has a lien on the System Revenues superior to that of the Series 2004 Loan.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
Revenue Obligations				
<i>Sewer System:</i>				
DEQ Loan	10/04/01	11/01/21	\$ 3,140,850	\$ 2,282,283
Less: Prior Loan				(2,282,283)
Series 2004 Loan	12/01/04	09/01/22	2,780,000	2,780,000
Deinhard capacity agreement	10/01/88	04/01/07	62,405	15,048
Total Sewer Fund Obligations				<u>\$ 2,795,048</u>
<i>Water System:</i>				
Water Refunding, Series 2003 ⁽¹⁾	07/15/03	9/01/13	\$ 5,630,000	\$ 4,960,000
DEQ ⁽²⁾	06/23/03	04/15/24	5,908,755	5,787,888
Total Water Fund Obligations				<u>\$ 10,747,888</u>
<i>Golf System</i>				
Golf sprinkler system	08/15/97	09/30/11	\$ 650,000	<u>\$ 535,000</u>
General Fund Obligations:				
Zatica note	10/15/02	10/15/09	\$ 139,900	\$ 95,051
Capital leases			364,113	232,237
<i>Special Assessment Bonds:</i>				
LID 2	05/01/97	05/01/06	130,506	33,000
LID 3 ⁽³⁾	08/15/93	08/15/13	5,200,000	2,940,000
LID 4	03/19/99	03/19/08	343,806	161,000
LID 5	12/17/97	12/17/06	247,901	88,000
Total General Fund Obligations				<u>\$ 3,549,288</u>

- (1) Proceeds were used to refund the City's Water Revenue Bonds, Series 1994 and Water Revenue Bonds, Series 1996. Both of these bonds had a lien on water revenues senior to the City's DEQ Loan.
- (2) Lien on revenues from the City's water system is subordinate to the lien of the City's Water Revenue Refunding Bonds, Series 2003 on the same revenues.
- (3) One group of property owners failed to make timely payments and the City took possession of the property in April 2001. The three properties involved were sold to one developer in August 2004 for the full payoff amount (principal, interest, and all penalties).

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement

Future Financings

The City does not have plans at this time to issue additional debt within the next twelve months.

**Parity Sewer Obligations
Debt Service Requirements**

Fiscal Year Ending Sept. 30	Series 2004 Loan		Total Debt Service
	Principal	Interest	
2005	30,000	90,060	\$ 120,060
2006	120,000	119,330	239,330
2007	120,000	115,730	235,730
2008	125,000	112,130	237,130
2009	130,000	108,380	238,380
2010	135,000	101,880	236,880
2011	145,000	95,130	240,130
2012	150,000	87,880	237,880
2013	155,000	80,380	235,380
2014	165,000	72,630	237,630
2015	175,000	64,380	239,380
2016	180,000	55,630	235,630
2017	190,000	46,630	236,630
2018	200,000	39,410	239,410
2019	205,000	31,410	236,410
2020	215,000	23,210	238,210
2021	225,000	14,395	239,395
2022	115,000	4,945	119,945
	<u>\$ 2,780,000</u>	<u>\$ 1,263,540</u>	<u>\$ 4,043,540</u>

NOTE: Above table excludes Deinhard Lane Agreement, which is due in monthly installments of \$559 through 2007.

Source: Audited Financial Statement for the Year Ended September 30, 2003.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto. The City has not failed to comply with any continuing disclosure undertaking in the past five years.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan.

During the course of construction of the J-Ditch project (this is the Project that was financed by proceeds of the Prior Loan), the City terminated activity with the original contractor and the surety elected to complete the construction in accordance with the terms of the contract. The surety provided another contractor for remaining construction. The work was not completed to the City's satisfaction and the City withheld partial payment and liquidated damages. The surety and the original contractor filed suit against the City. The City filed counter complaints against the parties and also sued the completion contractor. Following a six-week jury trial, a judgment of approximately \$5 million was entered against the City in *Wausau v. St. Clair et al.*, Case No. CV-01629SBLW (D. Idaho). The City filed post trial motions. The motions were fully briefed in July and have yet to be set for hearing by the Court.

The City believes that the referenced litigation (i) does not question the validity of the Bond Bank Loans or the power and authority of the City to enter into the Loans; (ii) could materially affect the finances of the City; and (iii) should not affect the City's ability to meet debt service requirements on the Bond Bank Loans.

Financial Factors

Financial Reporting

The City's audit for the fiscal year that ended September 30, 2003 was prepared by Eide Bailly, LLP (formerly known as Balukoff Lindstrom & Co., P.A.), CPAs, Boise, Idaho. The audit report for the fiscal year that ended September 30, 2003 indicates that the financial statements fairly present the City's financial position and the changes in its financial position and cash flows for the year then ended are in conformance with accounting principles generally accepted in the United States of America. Eide Bailly, LLP was not requested to review this Official Statement.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. These statements measure the success of the City's operations over the past year and can be used to determine whether the City has successfully recovered all its costs through its user fees and other charges, and its profitability and credit worthiness.

The Sewer Fund accounts for the City's Sewer System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank.

The City utilizes an automated billing system which bills all customers on a monthly basis for water and sewer services. All accounts are required to complete an Application and Contract for Utility Services. A deposit, letter of credit reference from another utility company or signing up for Automatic Payment are required for all new accounts. Meters are read at the end of each month and bills are sent out around the 14th of each month with a due date of the 1st of the following month. The accounts remaining past due on the 10th are assessed a 10% penalty on the outstanding balance. If an account becomes 30 days in arrears, a "Reminder Notice" is mailed the business day following the first day of the month. On the second business day of the month, accounts that are 60 days in arrears are mailed a "Shut-Off Notice" and a "Shut-Off Notice" is hung on their door. They are given ten business days to pay their account. If payment is not received, their water is shut off. The account balance plus applicable shut off/turn on/deposit fees must be paid before the water can be turned back on. Terminated accounts, which are delinquent more than 90 days, are aggressively pursued and turned over for collection if necessary. Write-offs of bad debt accounts during the last five year period have been 0.4% of billings.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A three-year summary of the City's Sewer Fund Balance Sheet and Statement of Revenues, Expenses and Changes in Retained Earnings follows.

Sewer Fund Balance Sheet
(Years Ended September 30)

Assets	2003	2002	2001
Current assets:			
Cash	\$ 529,280	\$ 599,954	\$ 514,573
Investments	281,603	0	0
Receivables:			
Intergovernmental	0	0	17,765
Accounts, net of allowance	93,616	89,040	96,942
Grants	0	89,780	53,561
Others	16,248	47,666	24,085
Inventory	1,092	1,843	1,626
Total current assets	<u>921,839</u>	<u>828,283</u>	<u>708,552</u>
Restricted Assets			
Cash	0	76,377	910,802
Investments	108,617	202,460	96,516
	<u>108,617</u>	<u>278,837</u>	<u>1,007,318</u>
Property, Plant and Equipment			
Land	3,750	3,750	3,750
Buildings	31,892	31,892	31,892
Improvements other than buildings	7,017,975	6,848,819	6,545,361
Equipment	489,015	489,017	347,739
Construction in progress	10,524,405	9,876,781	9,316,281
Total property, plant and equipment	18,067,037	17,250,259	16,245,023
Accumulated depreciation	<u>(2,495,019)</u>	<u>(2,281,362)</u>	<u>(2,070,440)</u>
Total noncurrent assets	<u>15,572,018</u>	<u>14,968,897</u>	<u>14,174,583</u>
Total Assets	<u>\$ 16,602,474</u>	<u>\$ 16,076,017</u>	<u>\$ 15,890,453</u>
Liabilities and Fund Equity			
Current Liabilities			
Accounts and interest payable	\$ 204,569	\$ 205,134	\$ 2,183,850
Payroll payable	6,364	7,252	4,029
Compensated absences	10,643	4,904	10,350
Due to other funds	974,835	95,627	95,740
Capital lease obligations, current	6,897	11,402	10,764
Current portion of long-term debt	115,227	113,139	112,352
Total current liabilities	<u>1,318,535</u>	<u>437,458</u>	<u>2,417,085</u>
Long-Term Debt			
Other long-term liabilities, non-current	1,311,261	1,311,261	0
Other long-term debt, non-current	2,900,400	3,022,625	3,096,813
Total Long-Term Debt	<u>4,211,661</u>	<u>4,333,886</u>	<u>3,096,813</u>
Fund Equity			
Developers	1,076,243	1,076,243	1,076,243
Other governments	5,263,703	5,306,327	5,348,951
City	433,795	433,795	433,795
Contributed capital	6,773,741	6,816,365	6,858,989
Retained Earnings			
Unreserved	4,298,539	4,488,308	3,517,566
Total Fund Equity	<u>11,072,280</u>	<u>11,304,673</u>	<u>10,376,555</u>
Total liabilities and equity	<u>\$ 16,602,476</u>	<u>\$ 16,076,017</u>	<u>\$ 15,890,453</u>

Source: Audited Financial Statements.

Sewer Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
(Years Ended September 30)

	2003	2002	2001
Operating revenues:			
Charges for services	\$ 823,747	\$ 830,910	\$ 750,217
Other	2,924	6,621	4,463
Total operating revenues	826,671	837,531	754,680
Operating expenses:			
Personal services	229,700	236,074	238,997
Contractual services	591,456	69,224	57,705
Materials and Supplies	40,339	23,481	44,488
Utilities	72,520	100,112	39,583
Repairs and maintenance	32,222	25,061	20,500
Depreciation and amortization	213,657	210,921	204,019
Total operating expenses	1,179,894	664,873	605,292
Operating income (loss)	(353,223)	172,658	149,388
Nonoperating revenues (expenses):			
Interest income	17,100	20,642	30,128
Hook-on fees in excess of cost	245,172	143,780	104,959
Capital grant revenue	0	724,873	1,148,330
Interest expense	(141,442)	(133,835)	(6,289)
Total nonoperating revenues (expenses)	120,830	755,460	1,277,128
Net Income (Loss)	(232,393)	928,118	1,426,516
Added depreciation on fixed assets acquired by capital grants that reduces contributed capital from other governments	42,624	42,624	0
Retained Earnings at Beginning of Year	4,488,308	3,517,566	2,091,050
Retained Earnings at End of Year	\$ 4,298,539	\$ 4,488,308	\$ 3,517,566

Source: Audited Financial Statements.

Historic Receipt of State Revenues
(Years Ended September 30)

Fiscal Year ⁽¹⁾	State Sales Tax	State Liquor Fund	State Highway Users Fund ⁽³⁾	Total Revenue from State
2004 ⁽²⁾	\$242,248	\$ 95,485	\$ 61,631	\$399,364
2003	287,137	103,731	81,259	472,127
2002	265,112	84,441	82,780	432,333
2001	197,827	80,151	114,164	392,142

(1) Fiscal Years ended September 30.

(2) Preliminary, subject to change.

(3) State constitution limits the use of State Highway revenues to improvements of roads and highways.

Source: City of McCall, October 2004.

**Sewer Fund
Adopted Budget
(Fiscal Years Ended September 30)**

Sources of Funds	2004-05	2003-04
Operating revenues:		
Fee revenue	\$ 32,276	\$ 23,502
Grants	45,000	0
Interest revenue	2,400	37,857
Carryforward	0	4,297
Interfund transfer	100,000	54,856
Operating revenue	1,027,160	925,423
Other revenue	137,656	164,922
Contingent revenue	100,000	50,000
Total Sources	\$ 1,444,492	\$ 1,260,857
Uses of Funds		
Operating expenses:		
Collection expense	\$ 755,754	\$ 550,592
Treatment expense	488,738	560,263
J Ditch Project Ph II	10,000	100,001
Grant expense	90,000	0
Contingent expense	100,000	50,000
Total Expenditures	\$ 1,444,492	\$ 1,260,856

Source: Adopted Fiscal Year 2004-2005 Budget

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Appendix K

City of Parma

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City of Parma

The City of Parma (the “City”) is a political subdivision of the State of Idaho, located in Canyon County, Idaho, and was incorporated in 1957. The City is managed by a Mayor-City Council form of government pursuant to Title 50 of the Idaho Code, as amended.

The City currently employs 12 people.

The following table shows recent City population:

Historic Population

July 1 Estimate	Population
2003	1,804
2002	1,804
2001	1,795
2000	1,777
April 1 Census	
2000	1,771

Source: U.S. Census Bureau, July 10, 2003



City of Parma,
Canyon County

System

The City owns, operates and maintains or controls the sewer collection and treatment systems within the City limits (the “System”). The System serves 760 customers within the City’s boundaries. The number of customers and accounts serviced by the Wastewater System in each year from 2000 through 2002 was roughly 721. This number grew to the current 760 level due to development of two subdivisions.

Regulatory Compliance. The City is in compliance with EPA and DEQ permits and regulations pursuant to Permit No. ID002177-6.

The Project. Proceeds from the City’s loan with the Authority will be used to repay DEQ for its 2002 loan to the City. The Prior Loan was used to finance all or a portion of certain improvements to its System (the “Project”). The Project included, among other things, upgrade to the disinfection system at the wastewater treatment plant and replacement of approximately 1,700 linear feet of sewer lines in the downtown area. The Project constitutes a “project” as that term is defined in the Wastewater Law.

Accounting. The Sewer Fund is a separate fund in the City’s Annual Financial Statements. The Sewer Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE SEWER FUND IS THE INCOME FUND IN THE LOAN AGREEMENT. See “Financial Factors” herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 2004-9) passed by the City's City Council and approved by the Mayor on September 27, 2004 pursuant to the provisions of the Act. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, to be dated as of December 1, 2004.

Long-Term Debt Borrowings

Following repayment of the Prior Loan and execution of the Loan Agreement, the City will have a revenue bond outstanding that has a lien on the System Revenues that is on a parity basis with the lien on the System Revenues of the Series 2004 Loan.

Outstanding Long-term Indebtedness

<u>Class and Series of Obligation</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
<i>Sewer Fund</i>				
Prior Loan, Series 2002 ⁽¹⁾	06/04/02	12/04/21	\$ 565,000	\$ 518,673
Less: Prior Loan				(518,673)
Series 2004 Loan ⁽¹⁾	12/01/04	09/01/22	515,000	<u>510,000</u>
Total Sewer Fund Debt				<u>\$ 510,000</u>
<i>Water Fund</i>				
Water Revenue Bond	12/04/01	12/04/31	\$ 900,000	<u>\$ 874,111</u>
Total Water Fund Debt				<u>\$ 874,111</u>

(1) Proceeds of the Series 2004 Loan will be used to pay off the City's Prior Loan.

Source: *Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement*

Future Financings

The City has no future financing plans at this time.

**Sewer Fund Obligations
Debt Service Requirements**

Fiscal Year Ending Sept. 30	Series 2004 Loan		Total Debt Service
	Principal	Interest	
2005	\$ 15,000	\$ 16,414	\$ 31,414
2006	20,000	21,510	41,510
2007	20,000	20,910	40,910
2008	25,000	20,310	45,310
2009	25,000	19,560	44,560
2010	25,000	18,310	43,310
2011	25,000	17,060	42,060
2012	25,000	15,810	40,810
2013	30,000	14,560	44,560
2014	30,000	13,060	43,060
2015	30,000	11,560	41,560
2016	35,000	10,060	45,060
2017	35,000	8,310	43,310
2018	35,000	6,980	41,980
2019	35,000	5,580	40,580
2020	40,000	4,180	44,180
2021	40,000	2,540	42,540
2022	20,000	860	20,860
	<u>\$ 510,000</u>	<u>\$ 227,574</u>	<u>\$ 737,574</u>

(1) Prior Loan to be refunded by the Series 2004A Bond Bank Loan.

Source: Audited Financial Statement for the Year Ended September 30, 2003.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto. The City has not failed to comply with any continuing disclosure undertaking in the past five years.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2004 Loan.

Financial Factors

Financial Reporting

The City's auditor, Gibbons, Scott & Dean LLP, CPAs, Caldwell, Idaho, opined that the general purpose financial statements and the results of its operations and cash flows of its proprietary funds for the years ended September 30, 2001, 2002 and 2003, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. Gibbons, Scott & Dean LLC was not requested to review this Official Statement.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The Sewer Fund is an enterprise fund. It accounts for the City's Wastewater System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank.

Billing and Collection Process

The City utilizes an automated billing system from which all customers are billed monthly for water and sewer services. All accounts are metered and are billed in arrears. All sewer service charges are due upon billing and are delinquent if not paid by the tenth day following the billing date. When two months' charges become due and delinquent, the account will be subject to termination per City policy. Delinquent accounts are pursued with water service disconnected if necessary.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A three-year summary of the City's Balance Sheet and Statement of Revenues, Expenses and Changes in Retained Earnings follows.

**Sewer Fund
Balance Sheet
(Years Ended September 30)**

	2003	2002	2001
Assets			
Current assets:			
Cash	\$ 189,520	\$ 200,216	\$ 448,156
Investments	446,140	426,682	165,758
Receivables (net of allowance for uncollectibles)			
Taxes			
Accounts	62,323	13,727	13,906
Interest	9	1,042	1,275
Due from other governments	0	4,500	168,802
Pepaid expenses	339	947	606
Total current assets	<u>698,331</u>	<u>647,114</u>	<u>798,503</u>
Restricted assets:			
Investments	<u>63,140</u>	<u>0</u>	<u>0</u>
Deferred charges	4,613	4,772	3,358
Fixed assets (net, where applicable, of acc. depr.)	<u>3,910,022</u>	<u>4,003,916</u>	<u>3,942,867</u>
Total Assets	<u>\$ 4,676,106</u>	<u>\$ 4,655,802</u>	<u>\$ 4,744,728</u>
Liabilities, Equity and Other Credits			
Liabilities:			
Vouchers payable	\$ 10,783	\$ 24,588	\$ 276,955
Compensated absences payable	3,106	2,850	2,361
Accrued interest	42,608	43,365	75,189
Bond payable - current portion	14,810	14,139	0
Loan payable - current portion	19,151	18,318	8,800
BAN payable - net of current portion			860,000
Bond payable - net of current portion	871,051	885,861	0
Loan payable - net of current portion	518,673	537,824	527,950
Total liabilities	<u>1,480,182</u>	<u>1,526,945</u>	<u>1,751,255</u>
Equity and other credits:			
Contributed capital	2,658,713	2,642,599	2,551,237
Reserved earnings for debt service	63,140	48,829	0
Unreserved retained earnings	474,071	437,429	442,236
Total equity	<u>3,195,924</u>	<u>3,128,857</u>	<u>2,993,473</u>
Total liabilities and equity	<u>\$ 4,676,106</u>	<u>\$ 4,655,802</u>	<u>\$ 4,744,728</u>

Source: Audited Financial Statements.

Sewer Fund
Statement of Revenues, Expenses and Changes in Retained Earnings
(Years Ended September 30)

	2003	2002	2001
Operating revenues:			
Charges for services	\$ 425,997	\$ 355,896	\$ 352,861
Miscellaneous	4,015	8,163	3,000
Total operating revenues	<u>430,012</u>	<u>364,059</u>	<u>355,861</u>
Operating expenses:			
Personal services	99,148	90,468	108,903
Supplies	14,118	17,288	12,836
Heat, lights and power	25,846	36,371	28,200
Other services and charges	43,606	35,838	48,448
Depreciation	141,231	112,892	65,260
Total operating expenses	<u>323,949</u>	<u>292,857</u>	<u>263,647</u>
Operating income	<u>106,063</u>	<u>71,202</u>	<u>92,214</u>
Nonoperating revenues (expenses):			
Interest income	11,706	12,786	9,416
Net increase in the fair value of investments	0	0	5,514
Interest expense	(66,816)	(39,966)	(37,350)
Total nonoperating revenues (expenses)	<u>(55,110)</u>	<u>(27,180)</u>	<u>(22,420)</u>
Net income	50,953	44,022	69,794
Retained earnings/fund balance, beginning of year	<u>486,258</u>	<u>442,236</u>	<u>372,442</u>
Retained earnings/fund balance, end of year	<u>\$ 537,211</u>	<u>\$ 486,258</u>	<u>\$ 442,236</u>

NOTE: The City expects total revenues, expenses and ending fund balance as of September 30, 2004 to be \$166,602, \$141,596 and \$241,241, respectively.

Source: Audited Financial Statements.

Sewer Fund
Statement of Revenues and Expenses (Non-GAAP Budgetary Basis)
(Years Ended September 30)

Water and Sewer	2003	2002	2001
Revenues			
Water revenue	\$ 114,149	\$ 113,827	\$ 114,149
Water hookup fees	1,000	9,974	1,000
Sewer revenue	37,412	38,529	37,412
Sewer hookup fees	1,000	8,000	1,000
Interest	9,416	12,786	9,416
Net increase in fair value of investments	5,514	0	5,514
Miscellaneous	3,000	8,163	3,000
Grants	1,375,262	73,388	1,375,262
Loan proceeds	172,885	900,000	172,885
Contributions	33,050	0	33,050
Specdial charges	201,300	203,540	201,300
Total water and sewer expenses	\$ 1,953,988	\$ 1,368,207	\$ 1,953,988
Expenditures			
Water:			
Personal services	\$ 45,715	\$ 40,889	\$ 60,017
Supplies	4,749	7,618	5,184
Heat, lights and power	18,749	27,980	20,991
Other services and charges	25,914	17,645	21,767
Debt service	56,337	22,136	0
Capital outlay	28,207	140,077	11,359
Total water	179,671	256,345	119,318
Customer accounts:			
Personal services	11,986	11,354	10,937
Supplies	3,825	4,329	2,683
Heat, lights and power	1,121	1,339	930
Other services and charges	3,692	2,133	2,615
Capital outlay	5,170	1,568	0
Total customer accounts	25,794	20,723	17,165
Sewer:			
Personal services	41,447	38,225	37,949
Supplies	5,544	5,341	4,969
Heat, lights and power	5,976	7,052	6,279
Other services and charges	14,000	16,060	9,450
Debt service	42,936	26,688	0
Capital outlay	13,960	32,296	320
Total sewer	123,863	125,662	58,967
Special water and sewer:			
Other services and charges	0	0	14,616
Capital outlay	0	0	2,296,993
Interest	0	0	37,350
Total special water and sewer	0	0	2,348,959
Total water and sewer expenditures	\$ 329,328	\$ 402,730	\$ 2,544,409

Source: Audited Financial Statements.

**Historic Receipt of State Revenues
(Years Ended September 30)**

Fiscal Year⁽¹⁾	State Sales Tax	State Liquor Fund	State Highway Users Fund⁽³⁾	State Revenue Sharing	Total Revenues from State
2004 ⁽²⁾	\$31,552	\$18,467	\$69,027	\$51,605	\$170,651
2003	29,850	15,096	69,063	49,898	163,907
2002	28,334	12,407	70,621	49,251	160,613
2001	27,559	11,797	76,987	49,008	165,351
2000	23,865	11,797	76,005	49,229	160,896

Source: Audited Financial Statements; Fiscal Year 2004 data provided by the State of Idaho Controller's Office.

(1) Fiscal Years ending September 30.

(2) Preliminary, subject to change.

(3) State constitution limits the use of State Highway revenues to improvements of roads and highways.

**Sewer System -- Adopted Budget
(Fiscal Year Ending September 30, 2005)**

Sources of Funds	2005
Revenues:	
Sewer revenue	\$ 197,880
Sewer hook-up fees	10,000
Interest income	6,000
Refund and reimbursement	100
Total Revenues	213,980
Carryover	185,020
Total Sources of Funds	\$ 399,000
Uses of Funds	
Expenditures:	
Salaries and benefits	\$ 70,000
Operating supplies and other expenses	26,200
Insurance	3,800
Professional services	3,500
Repair and maintenance	21,500
Capital outlay	20,000
Sewer Improvement Fund	165,000
Sewer SLR	89,000
Total Uses of Funds	\$ 399,000

Source: Adopted Fiscal Year 2004-2005 Budget.

Appendix L

City of Pocatello

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City of Pocatello

The City of Pocatello (the "City") is a political subdivision of the State of Idaho, located in Bannock County, Idaho, and was incorporated in 1889. The City is managed by a Mayor-City Council form of government pursuant to Title 50 of the Idaho Code, as amended.

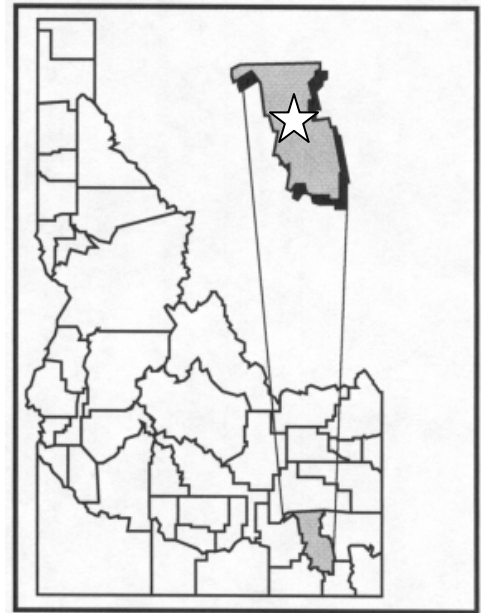
The City currently employs 677 people.

The following table shows recent City population:

Historic Population

July 1 Estimate	Population
2003	51,009
2002	51,270
2001	51,467
2000	51,428
April 1 Census	
2000	51,460

Source: U.S. Census Bureau.



*City of Pocatello,
Bannock County*

System

The City owns, operates and maintains or controls all the sanitary wastewater transportation and treatment systems within the City limits (the "Wastewater System"). The Wastewater System serves 15,300 customers within the City's boundaries.

Regulatory Compliance. The City is in compliance with all State and federal EPA/DEQ permits and regulations. Discharge point(s), effluent limitations, monitoring requirements and other requirements are set forth in NPDES Permit #ID-002178-4, effective as of September 7, 1999 through September 7, 2004. A renewal application was submitted in March of 2004 and has been extended until such time as EPA issues a new permit.

The Project. Proceeds from the City's loan with the Authority will be used to repay DEQ for its 1990 loan to the City. The Prior Loan was used to finance all or a portion of certain improvements to its Wastewater System (the "Project"). The Project included, among other things, rehabilitation of two existing digesters, construction of an additional digester, replacement of digester heading and auxiliary power unit, retaining existing unit as backup and first phase of sewer rehabilitation. The Project constitutes a "project" as that term is defined in the Wastewater Law.

Accounting. The Water Pollution Control Fund is a separate fund in the City's Annual Financial Statements. The Water Pollution Control Fund collects and accounts for all System Revenues, a portion of which were used to pay principal and interest on the Prior Loan. THE WATER POLLUTION CONTROL FUND IS THE INCOME FUND IN THE LOAN AGREEMENT. See "Financial Factors" herein.

Indebtedness

Debt Payment Record

During the past ten years, the City has promptly met principal and interest payments on outstanding bonds and other indebtedness when due and it has not issued refunding bonds for the purpose of preventing a default.

Loan Authorization

The City's Loan is authorized under a resolution (Resolution No. 2004-26) passed by the City's City Council and approved by the Mayor on October 7, 2004 pursuant to the provisions of the Act. The terms of the Loan are outlined in the Loan Agreement between the Authority and the City, to be dated as of December 1, 2004.

Long-Term Debt Borrowings

Following repayment of the Prior Loan and execution of the Loan Agreement, the City will have a DEQ loans outstanding that have liens on the System Revenues that are on a parity basis with the lien on the System Revenues of the Series 2004 Loan.

Outstanding Long-term Indebtedness

Class and Series of Obligation	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
<i>Water Pollution Control Fund</i>				
DEQ Loan, 1890-02 ^(1,2)	09/17/90	01/01/14	\$ 3,367,506	\$ 2,076,280
Less: Prior Loan ⁽¹⁾				(2,076,280)
DEQ Loan, 1897-01 ⁽²⁾	02/01/99	05/01/22	5,000,000	4,569,216
DEQ Loan, 1898-09 ⁽²⁾	08/15/01	10/01/23	6,130,315	5,919,817
DEQ Loan, 1899-01 ^(2,3)	10/11/02	07/01/24	11,500,000 ⁽⁴⁾	11,500,000 ⁽⁴⁾
Series 2004 Loan ⁽¹⁾	12/01/04	09/01/14	2,015,000	<u>2,015,000</u>
Total Water Pollution Control Fund Debt				<u>\$ 24,004,033</u>
<i>General Obligation Debt</i>				
Swimming Pool	04/01/98	04/01/13	\$ 2,500,000	\$ 1,720,000
Essential Facilities Refunding	11/05/98	05/01/11	5,115,000	<u>3,020,000</u>
Total General Obligation Debt				<u>\$ 4,740,000</u>

(1) Proceeds of the Series 2004 Loan will be used to pay off the City's Prior Loan.

(2) Private placement; not subject to continuing disclosure.

(3) Pending completion of the project. The project being financed by DEQ Loan 1899-01 is expected to be completed in calendar year 2004, at which time this loan will be concluded.

Source: Audited Financial Statement for the Fiscal Year Ended September 30, 2003 and Finance Staff updated through date of this Official Statement

Capital Leases

The City has entered into lease agreements for acquisition of various items of equipment. Total principal outstanding as of September 30, 2004 is \$29,922, with final maturity in December 2004. The capital leases are paid from the Water Pollution Control Fund.

Future Financings

The City has no current plans to issue debt in the next year.

**Water Pollution Control Fund Obligations
Debt Service Requirements**

Fiscal Year ⁽¹⁾	Outstanding Parity Obligations, including Prior Loan ⁽²⁾		Series 2004 Loan		Total Debt Service
	Principal	Interest	Principal	Interest	
2005	\$ 684,092 ⁽³⁾	\$ 723,140 ⁽³⁾	\$ 200,000	\$ 63,263	\$ 1,670,495
2006	820,695	805,752	185,000	79,350	1,890,797
2007	852,239	774,208	190,000	73,800	1,890,247
2008	884,997	741,450	195,000	68,100	1,889,547
2009	919,015	707,432	200,000	62,250	1,888,697
2010	954,342	672,105	215,000	52,250	1,893,697
2011	991,027	635,419	225,000	41,500	1,892,947
2012	1,029,124	597,322	235,000	30,250	1,891,697
2013	1,068,687	557,760	245,000	18,500	1,889,947
2014	1,109,772	516,675	125,000	6,250	1,757,697
2015	1,152,437	474,010	0	0	1,626,447
2016	1,196,744	429,703	0	0	1,626,447
2017	1,242,756	383,691	0	0	1,626,447
2018	1,290,538	335,909	0	0	1,626,447
2019	1,340,159	286,288	0	0	1,626,447
2020	1,391,689	234,758	0	0	1,626,447
2021	1,445,202	181,245	0	0	1,626,447
2022	1,500,774	125,673	0	0	1,626,447
2023	1,189,272	71,617	0	0	1,260,889
2024	1,015,073	26,601	0	0	1,041,675
	<u>\$ 24,154,916</u>	<u>\$ 9,720,626</u>	<u>\$ 22,078,636</u>	<u>\$ 9,280,758</u>	<u>\$ 17,419,817</u>

(1) Fiscal years ending September 30.

(2) Excludes the Prior Loan being refunded by the Series 2004A Bond Bank Loan; includes other parity obligations. Includes the DEQ Loan 1899-01, which is preliminary and subject to change, pending completion of the project. The project being financed is expected to be completed in calendar year 2004.

(3) Includes principal and interest payments of \$89,602.37 and \$93,176.37, respectively, made November 1, 2004, on the DEQ Loan 1897-01.

Source: Audited Financial Statement for the Year Ended September 30, 2003 and DEQ loan documents.

Continuing Disclosure

The City has covenanted and agreed in the Loan Agreement to comply with the continuing disclosure requirements for the Series 2004 Bonds as promulgated under Rule 15c2-12, as it may from time to time hereafter be amended or supplemented. See Appendix D -- Form of Loan Agreement attached hereto.

The City entered into continuing disclosure agreements to provide limited disclosure for its General Obligation Bonds, Series 1998 and Essential Facilities Refunding Bonds, Series 1998 (the "1998 Refunding Bonds"), both of which required filings with the State of Idaho Repository (the State of Idaho Repository discontinued in 2000). The City was not required in its continuing disclosure agreements to file annual disclosure with the NRMSIRs. The City filed a material event notice on April 13, 2000 with Ambac (bond insurer for the 1998 Refunding Bonds) and the Municipal Securities Rulemaking Board for failure to file its audited financial report for the Fiscal Year 1999 on time with the State of Idaho Repository. It subsequently filed its Fiscal Year 1999 audited financial report with Ambac and the Municipal Securities Rulemaking Board (the "MSRB") on March 23, 2001. On May 3, 2001, the City filed a second material event notice with Ambac and the MSRB for failure to file its audited financial report for the Fiscal Year 2000 with Ambac. The City subsequently filed its unaudited financial report with Ambac on March 15, 2002, and its audited financial report was submitted on May 22, 2002. The City has not failed to comply with any other continuing disclosure undertaking requirements in the past five years.

Litigation

There is no litigation pending questioning the validity of the Series 2004 Loan nor the power and authority of The City to issue the Series 2004 Loan. There is no litigation pending which would materially affect the finances of the City or affect the City's ability to meet debt service requirements on the Series 2004 Loan.

Financial Factors

Financial Reporting

The City's auditor, Deaton & Company, Chartered, CPAs, Pocatello, Idaho, opined that the general purpose financial statements and the results of its operations and cashflows of its proprietary funds for the years ended September 30, 2001, 2002 and 2003, in all material respects, are in conformity with accounting principles generally accepted in the United States of America. Deaton & Company, Chartered, was not requested to review this Official Statement.

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The Water Pollution Control Fund is an enterprise fund. It accounts for the City's Wastewater System and is the source of payment of the principal of and interest on the City's loan with the Idaho Bond Bank.

The City utilizes an automated billing system from which all customers are billed monthly for water, sewer and sanitation services. Metered accounts are billed in arrears with \$65 deposits required on all new accounts. All sewer service charges are due 16 days after billing and are delinquent if not paid by the next monthly billing date. When two months' charges become due and delinquent, the account is subject to termination per City policy. Delinquent accounts in excess of \$25 are pursued with water service disconnected, if necessary. Write-offs of bad debt accounts during the last 5-year period has been less than 0.4 percent of billings.

Auditing

Each State municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to State Code as required in 67-450B. Municipalities having annual expenditures of less than \$50,000, with the exception of those entities receiving federal assistance, are exempt from this requirement. All State school districts, regardless of amount of annual expenditures and pursuant to I.C. 33-701, must obtain an audit annually. The required audit may be performed by independent public accountants certified by the State as capable of auditing municipal corporations.

A summary of the City's Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets follows.

**Water Pollution Control Fund
Statement of Net Assets
(Years Ended September 30)**

	Statement of Net Assets		Balance Sheet
	2003	2002	2001
Assets			
Current assets:			
Cash	\$ 3,357,956	\$ 2,535,760	\$ 921,494
Restricted cash - debt service	803,987	258,258	264,858
Investments	1,081,983	1,000,000	1,000,000
Accounts receivable	165,476	239,201	151,703
Utility billing receivable	295,283	282,793	251,155
Interest receivable	7,031	17,262	19,558
Employee receivable	2,038	2,790	2,790
Due from other funds	1,089,443	2,287,169	3,242,881
Total current assets	<u>6,803,197</u>	<u>6,623,233</u>	<u>5,854,439</u>
Fixed assets:			
Construction in progress	5,714,333	5,765,022	6,712,345
Depreciable building, equipment and property (net)	24,988,651	19,194,581	
Other (net)	0	0	12,752,261
Leased assets (net)	0	0	570,847
	<u>30,702,984</u>	<u>24,959,603</u>	<u>20,035,453</u>
Total Assets	<u>\$ 37,506,181</u>	<u>\$ 31,582,836</u>	<u>\$ 25,889,892</u>
Liabilities and Equity			
Current liabilities payable from current and restricted assets:			
Payroll, taxes and benefits payable	\$ 39,277	\$ 37,909	\$ 41,725
Compensated absences	47,934	48,046	34,875
Accounts payable	222,793	204,786	314,676
Interest payable	90,632	32,593	128,934
Due to other funds	216,061	21,240	1,042,035
Mortgages payable	454,690	336,854	163,053
Current portion of capital lease	117,089	110,513	104,307
Total current liabilities	<u>1,188,476</u>	<u>791,941</u>	<u>1,829,605</u>
Long-term liabilities:			
Compensated absences	52,652	66,134	56,849
Payroll taxes and benefits payable	9,212	11,869	12,047
Mortgages payable	16,579,207	11,313,199	6,779,575
Capital leases payable	124,055	241,144	351,657
Total long-term liabilities	<u>16,765,126</u>	<u>11,632,346</u>	<u>7,200,128</u>
Total liabilities	<u>17,953,602</u>	<u>12,424,287</u>	
Contributed capital:			
State and federal grants received			6,308,173
Capacity fees and developer contributions			1,099,464
City contributions			224,639
Total contributed capital			<u>7,632,276</u>
Retained earnings:			<u>9,227,883</u>
Total liabilities, contributed capital and retained earnings			<u>\$ 17,023,212</u>
Net assets:			
Invested in capital asset, net of related debt	13,427,943	12,957,893	
Restricted	803,987	258,258	
Unrestricted	5,320,658	5,942,398	
Total liabilities, contributed capital and retained earnings	<u>\$ 19,552,588</u>	<u>\$ 19,158,549</u>	

NOTE: The City conformed to GASB-34 in Fiscal Year 2003.

Source: Audited Financial Statements.

Water Pollution Control Fund
Statement of Revenues, Expenses and Changes in Net Assets
Statement of Revenues, Expenses and Changes in Retained Earnings
(Years Ended September 30)

	Statement of Revenues, Expenses and Changes in Net Assets	Statement of Revenues, Expenses and Changes in Retained Earnings (reconciliation to Changes in Net Assets for 2002)	
	2003	2002	2001
Operating revenues:			
Service fees (security for revenue bonds)	\$ 6,415,623	\$ 6,204,252	\$ 5,620,336
Rentals and collections	15,070	161,228	0
Refunds	49,766	64,689	51,781
Miscellaneous	10,645	9,412	755
Total operating revenues	<u>6,491,104</u>	<u>6,439,581</u>	<u>5,672,872</u>
Operating expenses:			
Personnel service	1,015,229	1,035,605	911,717
Personnel benefits	371,729	363,533	317,867
Supplies	400,629	342,641	387,695
Contractual service	1,027,740	1,000,058	841,140
Depreciation	824,517	706,598	602,847
Miscellaneous	453	0	3,264
Interfund charges	595,170	811,658	787,249
Total operating expenses	<u>4,235,467</u>	<u>4,260,093</u>	<u>3,851,779</u>
Operating income	<u>2,255,637</u>	<u>2,179,488</u>	<u>1,821,093</u>
Nonoperating revenues (expenses):			
Gain/(loss) on sale of assets	(152,462)	(79,921)	(73,490)
Market loss on investments	(124,402)		
Grants received	0	0	38,643
Interest income	111,334	0	107,868
Interest expense	(372,440)	(32,593)	(127,934)
Total nonoperating revenues (expenses)	<u>(537,970)</u>	<u>(112,514)</u>	<u>(54,913)</u>
Income before capital contributions and transfers	1,717,667	2,066,974	1,766,180
Operating transfers:			
Operating transfers in		26,805	853,836
Operating transfers out		(134,746)	(971,845)
Total operating transfers		<u>(107,941)</u>	<u>(118,009)</u>
Net income/(loss)		1,959,033	1,648,171
Retained earnings, beginning of year		9,227,883	7,579,712
Retained earnings, end of year		<u>\$ 11,186,916</u>	<u>\$ 9,227,883</u>
Developer contributions	96,631	339,356	
Operating transfers in	14,854	26,805	
Operating transfers out	(1,435,112)	(134,746)	
Change in net assets	394,040	2,298,389	
Net assets, beginning of year	19,158,548	16,860,159	
Net assets, end of year	<u>\$ 19,552,588</u>	<u>\$ 19,158,548</u>	

NOTE: The City conformed to GASB-34 in Fiscal Year 2003. Current estimates of total revenues, expenses and retained earnings as of September 30, 2004 are \$7,079,210, \$7,040,011 and \$5,886,228, respectively.
Source: Audited Financial Statements.

**Historic Receipt of State Revenues
(Years Ending September 30)**

Fiscal Year	State Sales Tax	State Liquor Fund	State Highway Users Fund	Total Revenue from State
2004	\$3,318,689	\$372,983	\$1,958,833	\$5,650,505
2003	3,254,832	337,283	1,975,164	5,567,279
2002	3,250,793	286,328	2,060,209	5,597,330
2001	3,158,372	273,530	2,331,398	5,763,300
2000	3,158,601	262,421	2,230,488	5,651,510

Sources: Audited Financial Statements.

**Wastewater Pollution Control Fund -- Adopted Budget
(Fiscal Year Ending September 30, 2005)**

Sources of Funds	2005
Revenues:	
Rentals and leases	\$ 89,408
Charges for services	6,990,624
Miscellaneous fees	142,392
Total Revenues	\$ 7,222,424
Uses of Funds	
Expenses:	
Operation/maintenance	\$ 6,027,540
Capital outlay	1,531,300
Lift stations	540,090
Sludge reuse	641,037
Land application	360,517
Total Expenditures	\$ 9,100,484

Note: The Fiscal Year 2005 revenue plan is \$7,222,424, while the total authorized expense is \$9,100,484. The Fiscal Year 2005 budget authorizes potential use of existing reserves as envisioned by the Black & Vetch Rate Study (2002, designing rates 2002 through 2007). Existing reserves were in excess of targets but projected revenue streams were insufficient to meet projected cost of service requirements going forward. Rates increase at 5.8% per year through 2007 at which time revenue will meet cost of service. In the mean time, excess reserves are used to moderate the pace of sewer rate increases and finance some capital replacement.

Source: Adopted Fiscal Year 2004-2005 Budget

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Appendix M

Specimen Financial Guaranty Insurance Policy

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

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